The Financial Advisor Guide to Financial Planning For Women
Self-Study Course # 20
INTRODUCTION

When it comes to the types of financial issues affecting Canadians, men and women aren’t that different. Here are some questions to ask both your male and your female prospects and clients.

Do you know?

- How much money you have in savings?
- Your credit rating and if you have one?
- Whether you could get a loan if you applied?
- How much money you can expect to have when you retire?
- Whether you have enough life insurance to protect your dependents?
- Your net worth?
- How much money you spend each month?
- Whether your investments are appropriate in today’s economy?

If your prospects and clients can answer the above questions, even with approximates, they are one step ahead of many other people. Many Canadians, especially older women grew up in an environment where they had little need to be uninformed about money management. But times have changed.

In the latter half of the 20th century women became empowered … and most are now in control over all aspects of their lives … including money matters.

Having said this, it is still a sad reality that many older women are not financially literate … and many older widows and divorcees often feel the sting of instant poverty. It would be easy to blame others when this happens. The truth is, however, that each individual, male and female, must take responsibility for their actions or lack of actions.

OVERVIEW

There are some problems for women that men do not face. In 2013 less than a third of all senior management positions in Canada were held by women. And the average earnings of employed women are substantially lower than those of men. In 2015, working women earned, on average, 75.6 cents for every dollar earned by their male counterparts. Thankfully this gap has narrowed somewhat in recent years. Seven years earlier, in 2008, the average women earned only 72 cents for every dollar earned by males.
Although women earn less than men, it is interesting to note that they actually own a larger percentage of Canada’s stocks and bonds – in part because they tend to live longer than men. Needless to say, this makes it even more important that they have a strong grasp on financial issues.

Fortunately there is an abundance of new research that demonstrates that women – especially older women - actually have a better perspective on money than most men. They feel that money is a conduit to independence, security and live fulfillment.

When money is used wisely, it opens thousands of opportunities that can enrich lives. Money is more than security against future events. Money is a woman's passport to independence, power and control. How that independence, power and control is used is up to the individual woman herself.

Women, it should be noted, are also becoming significantly more assertive when it comes to insurance and investment matters.

They demand good service and aren't afraid to change insurance agents or brokers (often to another woman who will be more sensitive to their interests) and they are comfortable with complex investment decisions.

Another issue that has made financial planning even more important for women is the fact that most women take on two important life roles: career woman and mother. In the job market, this often puts them at a disadvantage. Employers feel that they will be unavailable much of the time due to family responsibilities. This, of course, is not assumed of married men. Why? Because the majority of married men with children are not expected to step in when the child is ill or when the child has special needs. The mother is expected to do so. When divorce occurs, women primarily face the financial responsibility of raising the children.

Because of the disadvantages in the job market and the higher likelihood that she will be raising children alone, women continue even today to be in more dire financial circumstances than are men. Most Canadians below the poverty line are women (either elderly widows or young unmarried women with children). Minority women are even more likely to find themselves in a poor financial situation because they have two strikes against them rather than just one (despite what we would like to believe, minorities are given fewer financial opportunities than are non-minorities).
Old traditions die slowly.

Laws have, of course been passed to try to equalize financial opportunities. The passing of laws does help, but in the real world, it takes more than the law to help women succeed. Various legislation changes throughout the years have set the ground rules for men and women to be paid equal wages for equal work. Even so, women continue to earn less than men. We are not saying that employers overtly discriminate against women. Generally, they do not. Rather, it tends to be a variety of circumstances that come together. It is true that some companies deliberately try to get around the law using different job titles for men and women, perhaps they give more hours to men or simply hire women only in the traditional office positions.

Women also often find themselves stuck in what have been referred to as “pink-collar” ghettos. This includes receptionists, servers, administrative assistances and so forth. Some areas that were traditionally held by women are changing because men are entering into their work roles (which always seems to drive up the wage base). One of these areas is the medical field. In the past, women virtually always filled nursing positions. That began to change as more and more men entered into the nursing professions and more and more women became doctors.

A woman can take steps to prevent getting stuck in low-paying professions

Doing so typically involves some specific steps:

1. She will need to set down specific steps to increase her immediate financial position.
2. She will need to assess and improve her financial self-image.
3. She will need to take steps that will specifically enable her to improve either the pay she receives at her current job or move into a different job that can do so.
4. She must recognize the possibility of divorce in the life of any woman (30 percent of all marriages end in divorce) and be prepared for such an event.
5. She must take steps to protect herself from poverty in her old age.
These five steps seem very broad, so let us look at each point individually:

1. **Improving One’s Immediate Financial Position**

For many women, despair sets in along with the poverty that comes when their husband leaves them through a divorce or death. This despair may make the woman inactive financially and that can be a deadly mistake. There are financial steps that a woman can take, but she must be willing to tackle her own financial future personally.

The first rule of investing is relatively simple: do not lose money. Women are known to be conservative investors and this is not necessarily bad. However, money that is left virtually inactive does lose value through erosion (caused by inflation). For example, Molly Brown is very afraid of making an investment mistake. As a result, she keeps all of her money in a passbook savings account at her local bank where she has her chequing account. The passbook account is earning less than one percent interest, but inflation is running at 2 or 3 percent. As a result, Molly is losing two percent continuously. The purchasing power of Molly’s money is eroding.

Another method of improving one’s immediate financial picture is by establishing credit in one’s own name. This should be done as soon as a woman enters into her first job. For many women, however, it is not done until credit is immediately needed, which is not an ideal time to try to establish it. Every woman, even if married, needs to have her own personal line of credit. If a woman is trying to establish credit after a divorce or death of a husband, she needs to realize several things: a good payment record with the telephone company is a credit history. So is having a chequing or savings account that has been properly balanced and managed. It is generally easiest to begin getting credit with a local department store. They recognized the buying power of women long before many other industries did. Once these credit lines have a history (purchases have been charged and paid off on time), the next step is to apply for credit at a banking institution. Build a good credit history immediately. It is best to pay off every charge as soon as the bill is received to avoid finance charges. Remember that this is not intended to increase their debt by charging purchases that they will not be able to pay off in full. They should charge only small items that they will be able to pay for in full as soon as the bill arrives.
Nothing provides security like money in the bank. *Start a savings account now.* Even if it is only possible to deposit ten or twenty dollars a week, something is always better than nothing. This also helps one's credit rating.

*If a chequing account has not already been established, that should be done.* It is not only convenient for paying bills, it is also part of establishing a credit history. Of course, this is assuming that cheques are not routinely bounced!

Finally, women should focus on *increasing immediate earnings.* This is not always easy, but there is usually some way to manage it. It might be as simple as asking for a raise in a persuasive manner at work.

2. **Improving One's Financial Self Image**

Many women do not believe that they have a negative financial self-image, yet they never seem to move ahead financially. It is very difficult to assess whether or not our self-image is negative and not too much time should be spent worrying about it. However, if you seem unable to ever "get ahead," you might want to consider the possibility that, deep down, you really do not believe that you are able to succeed financially. Because you do not believe you can, you do not.

It is interesting to note that, when tested, girls continue to rate the value of boys' labour higher than their own, while boys rate girls the same as themselves. This would indicate that girls (who grow into women) continue to view themselves as less capable. Society is only now beginning to recognize that girls must be made to see themselves differently from an early age. If you have daughters, the best thing you can do is to encourage them to reach for the top - not just for what is easy or expected.

3. **Getting a Wage Increase**

It is hard for everyone, male and female, to march in to the boss and request a raise. However, it is especially difficult, it seems, for women to display such aggressiveness. We do not recommend that you do so without first thinking through exactly what you will say. You must be prepared to document your worth on the job and the reasons you deserve more money for what you do. Do not threaten to quit or act out of control. Certainly, you do not want to appear angry when you request your raise. Never
complain to your coworkers about your rate of pay. You would be surprised how often the boss hears all the gossip passed among his or her workers.

No boss likes knowing that his or her worker is complaining to others but lacks the ability or forthrightness to speak to out personally.

4. Getting, if Necessary, a Better Paying Job
Sometimes it simply is not economical or financially wise to remain in one's current job. It may be due to the pay rate or it may be due to the lack of mobility available (no position to move up to). If you find your current job has no place in management available to you or if better wages are not possible, it seems pointless to remain. Some pink-collared jobs are not a matter of discrimination, rather they are a matter of practical economics. Businesses want to make profits and payroll is one of their major expenses. When a business simply will not be paying more money or offering more opportunity, men often will not accept the positions whereas women will. Therefore, it is important for women to consider this point when they are seeking a career (versus a job).

There are many lines of work that women tend to overlook or fear. One such line has traditionally been sales. Only in recent years have we seen rising numbers of female insurance agents. Overall, their performance has been excellent. The woman seeking a profession rather than merely looking for a job offering a few extra dollars in general should consider commissioned jobs. In fact, any job that sells or promotes a product tends to pay better than the jobs that merely provide a function (such as answering phones).

Many times, education is the key to improved finances. Additional education is always valuable, even to the salesperson that is already secure in their present job. Most provinces, as you know, now require insurance agents or brokers to acquire continuing education credits before renewing their license. Unfortunately, this education requirement is often considered a "punishment" of sorts rather than an opportunity. How unfortunate. Every professional who has reached the top of his or her profession, regardless of the occupation, tends to have achieved more education than his counterpart. Education and success always go together.
5. Being Prepared For Divorce Even If One’s Marriage Seems Secure

Sometimes the wife is the last to know. Even if the marriage seems very secure, every woman needs to be aware that many marriages do end in divorce. It is not a pleasant thought, but women need to know the odds. Realizing the possibility of divorce makes a woman look at the future more realistically. Even if her marriage were on solid ground now, what would she do if she HAD to return to work in five years? Would she be prepared? It is not necessary for her to tell her husband that she thinks her marriage will end. Viewing the possible situation realistically, however, is necessary. To protect herself, she needs to establish financial independence. This means making sure she has personal credit and a credit history that is sound (not too much personal debt and a good payment record).

She should consider establishing an RRSP, even if her husband is not interested in one for himself. It is important to realize that he does not need to approve of everything that she does financially. By making and carrying out her own financial decisions, she is preparing herself for the future. If the marriage does stay intact, what she has done will be a benefit to her husband, too. The money she has deposited into her own personal RRSP will be available to help their living style upon retirement. This certainly is a positive thing.

It is encouraging to note that there are significantly more women in post secondary education than men. Education is an obvious path to more money and more influence.

Many women – often very highly educated women – quit work, or work part-time when they start a family. The child-rearing years are an excellent time for women to seek out further educational opportunities. Will it be difficult to balance children and schooling? Of course. But the benefits can be significant.
GETTING READY FOR RETIREMENT AND OLD AGE

Every person, married or single, needs to prepare for the retirement years. Retirement arrives sooner than one might imagine, although it is hard for the insurance agent or broker to convince the twenty-five year old of this.

Each of us is responsible for our support when we retire. We cannot expect Government Pension benefits to do the job alone. Especially in the coming years when there will be fewer workers for every retired person.

It might be very important for the wife to have also established her own retirement funds. In addition, we must remember that women outlive men substantially. Current estimates say that a man of equal age will die, on average, 5 years sooner than a woman.

Some things that are recommended to help secure your retirement:

Buy a home
Divorced or single women often fail to purchase their own home. Sometimes it is due to finances, but often it is something that they just do not seem interested in doing. A home is often a great investment. Not only does it supply living quarters, but it also gains value over time. Certainly, a home is a long-term investment, but at retirement, it often supplies the bulk of retirement funds.

Use your RRSP contribution limits
If you are employed, in 2016 you can deposit up to $25,370 (18% of income) tax-free every year into an Individual Registered Retirement Account (RRSP). You receive the immediate tax deduction and the money grows tax deferred as well. There are now many choices to invest this registered money into.

Establish a Tax Free Savings Account
The new Tax-Free Savings Account (TFSA) is a flexible, registered general-purpose savings vehicle that allows Canadians to earn tax-free investment income to more easily meet lifetime savings needs.
The TFSA compliments existing registered savings plans like the Registered Retirement Savings Plans (RRSP) and the Registered Education Savings Plans (RESP).

- Canadian residents age 18 or older can contribute up to $5,500 annually to a TFSA.
- Investment income earned in a TFSA is tax-free.
- Withdrawals from a TFSA are tax-free.

**FACING THE DIFFICULTIES OF WIDOWHOOD**

Traditionally, it has been every girl's fairy tale: meet Prince Charming, marry, have children, be protected both physically and financially and live happily ever after. Realistically, that seldom happens.

When a woman is suddenly (and perhaps unexpectedly) divorced or widowed, she is in for a very difficult time, not only emotionally but often financially as well. Certainly, the emotional aspect is going to be hard, but when there are financial burdens too, the results are even more devastating.

The women may be faced with probate problems if wills, trusts or other provisions were not made. While it would be easy to say that her husband was at fault for not having done so, the fault also lies with her. Every woman needs to be aware of the possibilities of life and she needs to address those possibilities before they actually happen. Simply saying to her husband soon after the marriage, "I have made an appointment for us to make out our wills" might have remedied the situation.

When there is no will, rules of probate will vary from province to province when it comes to chequing and savings accounts (if both names are not correctly put on the accounts). The same holds true with many investments. In most provinces, accounts held in joint tenancy can be made available to the surviving spouse, if she is listed as the joint tenant.

**Receiving Life Insurance Proceeds**

Life insurance is much simpler. An insurance company will pay the death proceeds to the named beneficiary, regardless of how a will reads or even if there was no will found.
A certified copy of the death certificate and a completed claim form are typically all that is needed.

The widow does not need to have an lawyer or an accountant. It is a simple matter. If there are concerns, she probably knows who the insurance agent or broker is and can call him or her for assistance. Since the insurance policy should provide for a preferred beneficiary, as long as the beneficiary listed is a person (not the estate), the proceeds will not be required to wait on the probate process. For this reason, an insurance policy is often called a *non-probate asset*. Payment by the insurance company is immediate because they do not have to wait for an order of the probate courts.

Receiving a major windfall in one lump sum, such as life insurance proceeds, does carry some dangers. The cash can often "disappear." There can be many reasons for this. Children often "borrow" funds from their mother without repayment provisions. Friends and relatives step forward with advice on investments. Unfortunately, these friends and relatives are not qualified, in any sense of the word, to be giving such advice. What is more likely is that they are relaying their own financial fantasies without having any practical financial experience.

When newly widowed, it is unwise to make any major financial decision. As an insurance agent or broker, it is unwise for you to suggest any long-term investments until long after the emotions of the loss have subsided.

Once probate has been completed and the widow has a good understanding of where she sits financially, decisions will need to be made regarding the money that is available for investment. Not all of the insurance proceeds will likely be available, since some of it will have gone to pay off debts, taxes and other obligations associated with the death. The widow should be looking at investment and placement areas, which guarantee her principal and allow for a competitive rate of return.

Depending upon the particular situation, liquidity may be necessary. A monthly income may be desired as well. Annuities may work well, at least for a portion of the funds. An agent or broker should not recommend that all the insurance funds be placed in an annuity unless he or she is sure that the widow has liquid funds available to her elsewhere.
Entering Probate
The probate lawyer will lodge the will by filing a petition with the court for a hearing to formally admit the will into probate proceedings. The lawyer will typically ask the court to appoint the widow as **executrix**, if she was named in her husband's will. If she was not named in the will, the lawyer may still request her appointment, unless another person is named in the will and is satisfactory to the widow. If the widow was not named in the will, but is still appointed, she is then called the **administratrix** rather than the executrix. Both terms mean the same thing in that she will be granted the power to take over and manage the estate during the probate administration.

Too often women do not realize that they are in charge of the estate - not the probate lawyer. She is free to choose any officer of the court to represent her and file the necessary documents and petitions. It is not necessary to use the same lawyer that drew up the husband's will. In fact, the widow should not select or continue to use any person with whom there is a conflict of personality or any lack of trust. Again, she is in control if appointed by the court. She has the right to exercise that control.

Once the widow is formally appointed as executrix, she needs to take charge of the assets. This means changing the ownership of their savings and chequing accounts to read: "Mary Client, executrix of the estate of John Client. “ From that point on, all cheques drawn by her must be signed in this way and all moneys received must be deposited to these accounts.

The widow will also want to make an inventory of the assets that make up the bulk of the estate. Although this is not a formal appraisal, it does provide orderliness to the estate. An appraiser may need to be appointed, but the courts generally do that later.

We have included as a guideline a sample Confidential Inventory of Assets that could be used to list all of the information.

**CONFIDENTIAL INVENTORY OF ASSETS**

**Personal Information**
- Names of children, dates of birth, address and married name, if applicable.
- Names of grandchildren, dates of birth and address if different from their parents.
• The location of the last will drafted and the date it was drafted.
• Adviser's name, address and telephone number, including area code
• The same for the Lawyer, Banker, Insurance Agent or broker, investment counselors, and Accountant.

Assets
• Chequing Accounts - present value and legal ownership
• Savings Accounts - present value and legal ownership
• Any other banking institutions, such as credit unions, etc.
• Securities
• Mortgages and trust deeds
• Notes receivable
• Home and other real estate
• Life insurance policies, including the agent or broker's name and the death benefit
• Any business equity held

On each asset, the present value and the legal ownership should be clearly listed.

Liabilities
• Mortgage or trust deeds (list the amount left owing and the anticipated payoff date)
• Notes payable
• Any other liabilities

Income
List all sources of income and if they will continue after death. List a contact person for each source.

Many widows find that making up an inventory is much more difficult than they imagined it would be. Generally this is because her husband was from the "old school" that believed it was the man's place to take care of finances, thus leaving her mostly unaware of what is owned. This is a most unfortunate situation.

A caring husband would never intentionally do this to his wife, but many men do seem to understand the position it leaves their wife in after their death. Every woman can help prevent this by talking with her husband before illness and death steps in. A simple
inventory made up and kept current is very important. The inventory need not be a difficult job.

If no such inventory exists, it will be necessary for the widow to rummage through everything she can find, make endless telephone calls tracking down possible information and much frustration. Most experts say that people keep much useless information for years while vital information is seldom listed.

Published Notices
A notice must be published in a legal newspaper notifying everyone, primarily creditors, that the will has been lodged with the court and that an executor or executrix has been appointed. Provinces may vary on how many times such a notice must appear and for how long a period. It will be anywhere from three months up to one full year. The probate lawyer will file an affidavit with the court that public notice has been given. Failure to do so can cause the settlement of the estate to be delayed. The time required for public notification is not set by the newspaper ads, but rather by the date, the affidavit is filed. Therefore, it is very important to get proof from the lawyer that he has filed the affidavit in a timely manner.

Which Bills Should Be Paid?
Bills that come in for the husband should not be immediately paid. Generally, funeral expenses, expenses of last illness and court allowances, if applicable, to the widow and minor children are paid first. Second to be paid are generally any taxes owed, wages for labour performed and bills for necessities. After these two classes come all other bills.

A few weeks should be allowed to pass before any of these bills are paid, including the first ones listed. That allows the widow to see how much is owed versus how much money is available. During this period, it is important to make sure that some types of bills are not allowed to go unpaid too long. This would include insurance on the house and vehicles. Property taxes should also be paid without waiting.

Utilizing All Possible Incomes
The Canada Pension Plan pays a small sum for funeral expenses, currently up to $2500. It is possible to have this paid directly to the funeral home.
The widow will want to check on all incomes her husband received to find out if a reduced amount will be coming to her. Some pensions stop completely upon the worker’s death while others continue, although they are usually less than that received by the worker.

Debtors (those owing the estate money) often feel that the husband’s death frees them from further obligation. Of course, this is not true. Unfortunately, many widows do not pursue debtors. Even if the widow does contact debtors, they may ignore her because they feel that she will not continue asking for what is owed. Therefore, it may be necessary for the widow, or her representative, to make it very clear that payment is expected on all debts.

LIVING LIFE SINGLE OR DIVORCED
Regardless of our marital status, if each of us could learn to live below our income level we would be well prepared for future financial events, whether that happened to be the purchase of a new home or retirement. Unfortunately, temptations abound! Married people do, of course, suffer the same misjudgements as do single people. The difference is that two incomes sometimes cope with financial misjudgements better than does a single paycheque. Since women traditionally earn less than men, a woman may have to display better financial judgment than her single male counterpart. This does not mean that a woman cannot enjoy life. It simply means she often has less room for financial errors.

There are three categories of single females

- Those who are divorced.
- Those who are widowed.
- Those who have never married (remained single).

Single By Choice
The person who has never married at all is most often young. Even those of us who thought we would never marry often do at some point in our lives.

Young people who have never married are often in the first steps of their careers, perhaps even still attending college. At this age, it is often difficult to concentrate on income and outflow, but it is an ideal time to start.
If the single individual is past the early stages of their career (having worked for five years or more), they may be more aware of their future. Unfortunately, they may also have already gone into debt more than they should have. In the early earning years, it is very easy to get into debt. So much to buy and so little to buy it with. At this point, it is very important to begin and stick to a budget. Even though there is so much to buy (because the individual has nothing and needs everything), it is possible to control expenses. That new sound system really is not necessary, for example. Saving is much more important. It will lead to more substantial purchases, such as a home or the start of an individual retirement account.

The Widow
As hard as divorce is, being widowed is often more difficult, both financially and emotionally. The emotional aspect often affects how finances are handled. It is a time when an individual is probably more susceptible to "con" jobs from salespeople who have made a practice of reading obituaries. It is also a time when insensitive children and other relatives may take advantage by "borrowing" from the new widow. If she has little experience in finances, errors are easily made.

Because a woman can expect to spend around six years as a widow (women live longer than men), it is never too early for her to prepare for this situation. There is a story of one very thoughtful man who began giving his wife what he called "widow lessons." By this, he meant that he was teaching her how to change a fuse, fix a leaky faucet and handle the family finances. If only more households would follow this example! More often, the new widow must rely on friends to help.

The largest percentages of Canadians who live in poverty are widows. There are many reasons for this, all of which could be avoided with proper planning. Any woman who is not familiar with the family’s finances must immediately remedy this situation! There is no longer any reason for the wife to be in the dark when it comes to money. If their spouse does not want them to know what money there is and where it comes from, have them insist upon learning.

In addition, their husband should have adequate life insurance. Often it is only the insurance policy that prevented a widow from living in poverty. Too often we hear that
older people should not carry a life insurance policy, but this is simply too broad of a statement. Each individual case needs to be properly assessed.

When a woman becomes a widow, if she has not already learned how to do so, she will now probably need to learn how to live economically. In most cases, her monthly income decreases, sometimes dramatically, when her husband dies. If she were still employed when her husband dies, it would indeed be wise to begin to add to her savings routinely. The more she has for retirement, the better off she will be. It is, after all, better to retire on too much than not enough.

Additionally, do not be too proud to take advantage of whatever resources are available through our society. If this means senior discounts, use them. If it means any government assistance or rebates, use these as well.

Also, keep your health insurance in force. As we get older, we also tend to get sicker or at least have more incidences of sickness. Health insurance is, of course, important at any age, but it is especially important as we get older. A widow should definitely consider buying a long-term care policy, too. She may have children, but the chances that they will have the ability to care for her if she becomes chronically ill are small. After all, her children have jobs and families (with all the related problems) of their own.

If the widow is still employed, we recommend, if she can afford it, to have a disability policy. Her income is probably vitally important to her financial well being. It is a fact that one is much more likely to become disabled than to die. We also recommend that a burial policy be in effect, but if it is a choice financially between the cost of a burial policy and a disability plan, the disability policy should win out.

Many experts recommend that a widow not live alone, but this really is a personal choice. Even though many experts feel that it is better emotionally to have someone share living arrangements, this is not necessarily true for everyone. Many people enjoy their privacy and would not be comfortable living with another person.
INCOME CATEGORIES
There are three basic types of income, although each category may have sub-categories.

1. Straight reportable, taxable income
Generally, this salary is earned from employers. It would also include income from dividends and interest earnings as well as notes or bonds, capital gains, distributions from partnerships, pensions and even withdrawal of funds from retirement accounts.

Some other forms of taxable income could be:
- Employment insurance (EI) benefits received,
- Annuity payments,
- Receipts from deferred income plans, and
- Scholarships, fellowships and bursaries (excluding the first $3,000).

2. Tax-deferred income
Deferred income plans allow taxpayers to earn investment income on which they can avoid paying tax while it remains in the plan. Some deferred income plans also allow a tax deduction, within specified limits, for contributions made.

As insurance agent or brokers, we should be well aware of this type of income since annuities produce tax-deferred income. Tax-deferred means that taxes will be paid upon withdrawal, the interest earnings are deferred from taxes until that time. Also included are RRIF’s, LIF’s, and Registered Pension Plans.

Registered retirement savings plans (RRSP’s) are registered plans into which individuals contribute savings or eligible investments for future use—typically, but not necessarily exclusively for retirement. Taxpayers can have several different RRSPs and invest each in a variety of eligible vehicles, such as guaranteed investment certificates (GICs) or mutual funds. Eligible RRSP contribution amounts reduce their taxable income and thus save tax.
Spousal Registered Retirement Savings Plans
Taxpayers can contribute to their own RRSP, a spouse or common-law partner’s RRSP, or both provided they do not exceed their maximum deductible amount. Spousal contributions become the spouse/common-law partner’s property. In addition, although spousal contributions reduce the contributor’s RRSP limit they do not affect the recipient spouse’s contribution limits for their own RRSP.

A spousal RRSP contribution has no more immediate tax benefits than contributing toward a personal RRSP but the future tax savings could be substantial.

Contributions to a spousal RRSP may be made until the end of the year in which the spouse or common-law partner turns 71, even if the contributor is older than 71.

Special Registered Retirement Savings Plans’ Contributions
Within limits, individuals are allowed to transfer retiring allowances (which may include severance pay and accumulated sick leave credits) directly into their RRSP. For years of service between 1989 and 1995 inclusive, the limit is $2,000 per year. For years before 1989, an additional $1,500, for an annual total of $3,500, may be contributed per year of service if the employee did not have a pension plan.

No special contributions are allowed for years of service from 1996 onwards. Directly transferring such lump sum payments to an RRSP will eliminate withholding tax deductions. Individuals who receive the lump sum payments directly still have 60 days after the end of the year to contribute to their RRSP and obtain a deduction for the year of receipt. They cannot carry forward unused special RRSP contributions to future years.

Home Buyers’ Plan (HBP)
Individuals may withdraw up to $25,000 from their RRSP to assist in acquiring an owner-occupied home without attracting immediate taxation. The home must be acquired by October 1 of the year following the withdrawal, which must be made using Form T1036. An ordinary RRSP contribution made less than 90 days before a withdrawal cannot be deducted.

Withdrawn amounts are repayable in equal annual sums over 15 years, beginning no later than the second year following the year of withdrawal.
Repayments due in a specific year can only be made during that year or within 60 days after the year-end. If, during a particular year an individual does not repay the scheduled amount or repays only part of it, the unpaid portion will be included in their income for that year.

To participate, prospective homebuyers or their spouses/common-law partners cannot have occupied a home as a principal residence at any time from the beginning of the fourth calendar year before the withdrawal year to 31 days before the withdrawal. Those who wish to withdraw in 2012, for example, must not have owned a home after 2007.

Originally, the home buyers’ plan (HBP) was designed so that participation could occur only once and if the full limit was not used it was lost. New measures applicable after 1998 however, provide special withdrawal rules with respect to purchasing a home for the benefit of a disabled person who qualifies for the disability tax credit (DTC). These rules allow for previous home ownership and multiple withdrawals.

Individuals who qualify for the DTC, as well as relatives helping to support them, can temporarily withdraw up to $25,000 from their RRSP without tax penalty, provided such funds are used to support the acquisition of a dwelling that is either more accessible for the disabled individual or better suited to their care.

This provision will apply, even if the disabled individual or their relative has participated in the HBP program in the past, provided all outstanding amounts withdrawn from any previous participation have been repaid within the 15-year allowable maximum.

3. **Tax-sheltered income**

**Universal Life (UL) Insurance Policies**

Although exempt universal life (UL) insurance policies are not tax shelters they do offer some tax advantages.

**Under a UL policy, for instance:**

- Premiums paid in excess of the mortality cost and premium tax are accumulated and invested. Income tax on the returns of investments held within the accumulation fund is deferred until withdrawals are made from the policy.
When the policyholder dies, beneficiaries generally receive both the face value of the life insurance and full amount of the accumulation fund tax-free, resulting in a permanent avoidance of tax and partially funding the estate out of pre-tax dollars.

Furthermore, UL can be used to fund retirement needs. Individuals can, for example, borrow from their policy or pledge it as security for a loan, subject to the terms of the policy, with the loan providing cash flow to fund retirement. Since this cash has resulted from a loan, rather than income, it is not taxable. In addition, if repayment of the loan is deferred until the death of the policyholder, the loan will effectively be partially repaid out of pre-tax dollars.

Note, however, that UL insurance is a complex product and should only be purchased with professional advice, including a full explanation of the terms of the plan, the underlying investments and the costs.

**PAYING YOURSELF FIRST**

During a woman's younger ages, say 18 to 25, most of her income will be earned income that is reportable and taxable. Only in later years is she likely to have other types of income, because so often they are a result of personal investing.

We have heard it said so often that no one really listens anymore: *pay yourself first!* This is, of course, important for everyone, but especially for the single woman. The single woman has less in her favour than does any other segment of our population. Of course, it would be best if everyone was equal financially, but the reality is we are not. It is vitally important for women to save for their futures. All women need to do so, of course, but especially the households that have a single income.

The woman that establishes a habit of investing (saving) at twenty will not need to worry when she is fifty years old. It does not necessarily mean saving a lot, but it does mean saving regularly out of every paycheque. Even if the single woman decides not to stay single, the nest egg that has been formed will be there for a wedding, for children's educations, for a home (whether single or married) and for retirement. A habit of saving that is developed early in life will make the difference throughout life.

When a person, male or female, is young it is understandably hard to view retirement as part of estate planning.
More immediate concerns seem to loom before our eyes in our twenties and thirties. Raising children, especially as a single Mom, is difficult. It is hard to tell the children that they cannot afford what they consider important in their lives when you are putting aside fifty or a hundred dollars every paycheque into your retirement account. Mothers have a way of feeling guilty about saving for themselves while telling their children "no". When those feelings of guilt arise, remind yourselves that you are actually doing so for them. Every dollar you put away for retirement is one less dollar your children will have to give you when you are old. Being financially independent is, indeed, the best present any parent can give a child.

In some ways, the death of a single woman who never had children is less of an issue than living is. If there were no children, probably no one is relying on that woman for financial support. When she dies perhaps only a few creditors will be touched financially. More important are the retirement years, especially if she should live to be quite elderly. With no one to lean on, it is vitally important that the single woman plan. Of course, this is true even if she has children, since we do not wish to imply that her children will be available to help support her. In fact, much evidence has shown the opposite to be true. It is not unusual for adult children to continue to rely on their parents, well into their adulthood, for financial aid. As one woman put it, "My children cannot even take care of themselves. I certainly do not want to rely on them to take care of me!"

It is easy for a single woman, without children, to feel that estate planning does not matter. This is especially true if she has acquired few assets. The majority of women seem to be relying on Canada Pension plans and perhaps a pension from their employer. This is very foolish in today's workforce.

The only person each of us can really depend on is ourselves. Certainly not the government. Certainly not our employer.

LIVING SEMI-SINGLE
Whatever term we wish to assign to it, many single women have roommates. Perhaps it is a boyfriend that is never married, perhaps it is a long-time female companion. Whatever the situation, two incomes can change how we live and how we save.
There are millions of people who are more than friends, but less than married (at least to each other).

Two people living together do not get all the tax advantages as married couples do, but even so there are some advantages in other ways. Paying half a rent or mortgage payment is easier than paying all of it, for example. In some areas, it is wise to seek legal advice, since some rules change when marriage is not involved. For example, joint accounts see entirely different consequences in inheritance and tax requirements when the two people are not married.

There are no equitable distribution laws for cohabitants. Of course, if proven oral or written agreements exist, property can be distributed as desired. Therefore, a will or trust may be something that should be considered. When two people are roommates or cohabitate, as it is more popularly called, it is wise to have some sort of written agreement. In reality, this seldom happens. It is more likely that the two people simply, somewhere along in their relationship, began living together without any thought to the legal aspects of their friendship. If large purchases occur, however, legal consequences must be thought out.

As cohabitation relates to retirement planning, the benefits can be great. It is certainly easier to make ends meet on two incomes. This frees up financial resources that can be used for future goals, such as retirement. If one's living standards depend upon the cohabitation continuing, life insurance should be purchased. Remember that life insurance is primarily a tool for protection against financial loss should death occur. If you depend upon the income of your roommate, your relationship meets this criterion, even if you are not married. Generally, insurance companies only care that the premiums are paid on a timely basis - not the relationship of the two people.

The exception to this is at the time of application. Insurance companies generally require an insurable interest in the life being insured. In other words, your roommate may not be able to buy the policy naming you as the insured. Therefore, the insured should simply buy their own policy and name whatever beneficiary is desired. Since you are roommates, who pays the premiums could be worked out between the two of you. You could also make a gift of the policy to your roommate, which would then make him or her responsible for the payment of the premiums.
However one approaches their coming retirement, whether from a single income or a dual income, retirement must be considered. The earlier one begins, the more resources one will have.

**THE DIVORCEE**

The divorced single person faces a different set of problems. She probably already has a start on the many household items needed, so some expenses are eliminated. On the other hand, however, she may have children whose support she is responsible for. Child support payments from the ex-husband often cannot be depended upon. If the divorced person has no children, then it is not too different than the single person, unless the ex-spouse has left numerous bills, which must be paid off. For many divorced people, their financial lifestyle must be trimmed down. Going from two incomes to one is always going to mandate some changes.

There is little doubt that divorce is hard on everyone: husband, wife and children. It takes an emotional toll on everyone. Financially, divorce can be devastating as well. Statistics show that women are especially injured financially when a divorce occurs. Two households must try to live on the same income that previously only supported one. If both husband and wife are working and there are no children, the split will probably not be too difficult, but when children are involved, or when the wife has no personal income, money problems are sure to exist.

For women, divorce usually means a dramatic reduction in their standard of living. This is especially true if there are children, which she will be responsible for. Alimony is not as likely anymore and child support is never enough to support an entire household. Unless the woman is financially independent, either through her own efforts or family fortunes, she cannot expect an easy road. If she has no job skills, any employment that she finds is likely to be low paying with bad hours and few rewards.

Although many courts and government agencies are trying to correct the situation, currently child support payments cannot always be counted on. If the husband lives in another province, this is especially true. Therefore, the woman must expect to live on her own, however unfair that may be.
Loss of income is not the only financial aspect of divorce. There is usually a loss of financial security for the future as well. In other words, the woman cannot expect retirement security unless she institutes that herself. Medical insurance from her husband's employment will typically only cover children, not the ex-wife. Therefore, she is likely to lose that as well. If life insurance was not required in the divorce settlement, she will lose all income in the event of his death.

When things are so bad in a marriage that divorce must be the answer, these financial issues do not seem to matter. Certainly, continuing in some marriages simply is not the answer, no matter what the financial consequences. It does mean, however, that she will have to search out her own financial security.

When divorce occurs, one thing that must be carefully studied is insurance. It is not uncommon for one party to suddenly be without health insurance, for example, if it had been obtained through the other person's employer. If children are involved, it is very important that life insurance be maintained for the welfare of the children, should something happen. Many divorce settlements mandate that the father must continue carrying life insurance with the ex-wife or children as beneficiaries. This is considered important to ensure college educations and other long-term goals.

The will must also be considered when divorce occurs. Probably it will have to be changed to fit the new circumstances, especially if children are involved.

When a woman is involved in a divorce, she may have received some lump-sum settlement. She may also have received other compensations, such as property, stocks or other assets.

A windfall in any form requires specific financial strategies and cautions. A common error of the "newly rich" is to jump in and fulfill previously frustrated desires. It only takes one major error to lose all that was gained. Friends and family are quick to make suggestions or seek "loans." This is the time to seek experienced financial advice from a financial team, which includes a tax or estate lawyer, a CPA, perhaps a stockbroker, a financial planner and an insurance agent or broker. They would be well advised to take the time to set up their goals, both short and long term. Do not be surprised if the financial team disagrees on how the funds should be handled.
The point is to get multiple views on a financial strategy and, by all means, to avoid all the so-called "helpful advice" of friends and family ("I appreciate your thoughts, Mom, but I have hired financial professionals to guide me"). Even though the professionals may disagree on specific investments to be made, all of them should be focusing on preserving the cash and realizing growth. Tax benefits should also be considered.

**Facing Divorce**

Few women expect to be divorced when they say their wedding vows. As a result, relatively few women plan for it from a financial standpoint. There are many emotions tied up in a relationship, including feelings about money and finances. At one time, bad marriages stayed together for the sake of the children. Today, they are more likely to remain together because they cannot afford separate households. The sad fact is that divorce often does not injure the man financially (in fact, statistics show that his finances may even improve), but divorce often plunges the woman into poverty. There are many reasons for this: the woman is generally responsible for caring for her children, the woman typically earns less if she is employed, if she is not employed, she may have difficulty finding a job that pays adequately. Even with child support from her husband, life will not be as financially rewarding.

The financial aspects of divorce begin with the first filing of papers. Divorce proceedings tend to be expensive. Costs will vary with the province of domicile, but even friendly divorces incur fees. There are do-it-yourself divorces available, but if children or assets are involved, these are not recommended. It is also not recommended that one lawyer be used for both parties. Therefore, there will be fees for two lawyers. There also may be fees for accountants, appraisers, and business brokers, depending upon the situation.

Each spouse will, of course, have a different opinion on the values of businesses and other assets.

It is too bad that there is not a "divorce insurance." Sales would likely be brisk. Some types of insurance, however, should be considered in a divorce. It is becoming increasingly common for the husband to carry an insurance policy on his life with the beneficiaries being the ex-wife and her children. This is typically mandated by the divorce decree (not because he has chosen to do so).
Although it is not common, it is also a good idea to consider carrying disability insurance. This is a wise move for both sides: for the husband because disability is more likely to occur than is death statistically, for the wife because a husband who is disabled is unlikely to pay child support payments or continue the premiums on a life insurance policy.

There are three types of money or assets involved in a divorce:

1. The division of the marital assets (although there are typically arguments as to what makes an asset "marital").

2. Another kind of money in a divorce is alimony, maintenance or spousal support. Not all courts will award this support. In provinces where such awards are granted, the spouse with the most pays the spouse with the least to equalize the net family assets. Normally, that would be the husband paying the wife, but that is not always the case. There have been some well-known public women who have had to pay their husband alimony, maintenance or spousal support when a divorce occurred. For the everyday type of woman, however, she will be the one with less and the husband will be the one with more.

3. The third kind of money in a divorce is child support. The non-custodial parent pays this to the custodial parent. Women need to realize early on that child support is often not received even when the courts have mandated it. There have been legal moves to correct this situation. The government has said that wages can be garnisheed to make support payments.

Separation Agreements

When the separation agreement is first set down, women need to pay attention to the financial aspects. So often, the woman simply wants the marriage ended and is willing to accept anything towards that end goal. A separation agreement is a legal contract between the couple, which settles financial matters, such as property distribution, alimony (if applicable in your state), custody of children and child support payments. In some provinces, such an agreement is required for no-fault divorces to proceed. Even if a separation agreement is not required by your state, it is still an important step. It gives the woman the chance to voice her financial needs and desires. Most importantly, it allows each party to negotiate a settlement based on their own terms rather than the terms imposed by the courts.
Some couples by-pass the separation agreement because it means paying two lawyers to attend the negotiations. The process, if agreement does not come easily, can be expensive. Even so, it is one of the most productive elements of an otherwise unproductive legal proceeding (divorce). When a couple enters the courtroom without a separation agreement, the actual court costs can be higher than what would have been spent on separation agreement negotiations. Lawyers will be spending court time (and costs) to argue each side. Perhaps financial experts or accounting experts will be called in. This will, of course, mean additional costs.

When a separation agreement is drawn up, it is likely that the court will accept it. The court is not obligated to do so, but most courts feel that such agreements meet the approval of both parties, which is why it is generally approved. Once approved, the agreement can either merge and become part of the divorce decree or survive, which means it would maintain a separate existence. The spouse who will be paying (because he or she has the most) usually would like the agreement to merge, whereas the other spouse (the one who has the least) generally would prefer that it survive. When a separation agreement merges it becomes part of a court order, which means an appropriate court can modify (change) it. On the other hand, if it survives, it becomes a private contract and a spouse who does not follow it can be sued for breach of contract. In addition, a separation agreement that survives cannot generally be modified (changed) by a court. It can only be changed by mutual agreement.

**Deciding What Is Equitable In a Divorce**

Not all divorces are angry affairs. Sometimes it is more a matter of negotiation than anything else. Nearly all the provinces have equitable distribution systems in place. As a result, the separation agreement may be primarily aimed at setting up a division of marital property that will be approved by the relevant court as "equitable" under those provinces laws. Remember that the court has to approve the agreement even if the two parties have already come to a mutual consent.
Although provincial laws do vary, the provinces have generally developed a criterion that is basic. The general factors include (but may not be limited to):

- The financial contribution each spouse has made to the marriage.
- The non-financial contribution each spouse has made to the marriage. This would include raising children, doing chores that enabled the working spouse to allot time to earning a living and so forth.
- The personal financial assets each person has outside of the marriage. This would include such things as income from a trust, annuities, etc.
- The age and work experience of each person. Women, as we know, tend to have a lower earning ability than her male counterpart. If a homemaker has no trade, for example, the court may instruct the husband to pay her to attend a trade school as part of the divorce decree.
- The intent is that the assets be awarded in a fair and "equitable" manner. This does not necessarily mean that they will be split 50-50 in the final decision depending on the province you reside in. The courts consider the personal contributions, personal financial assets and personal needs of each person.

There are often lots of disagreement regarding marital property, which is not surprising in a divorce proceeding. Usually the disagreement centers on whether or not an asset is part of "marital" property or whether it is personal property. The job of the divorce is to divide marital (not personal) property.

Personal property is usually referred to as *Separate Property*. Some provincial laws will require an individual to transfer separate or personal property to the other spouse if there is inadequate marital property. The point of doing so is to make a fair and equitable distribution of marital wealth.

In the past it was not uncommon for a woman to work at low-paying jobs while her husband went to school. She, in effect, supports not only the two of them, but his education as well. Some value must be attached to this. Often the divorce occurs after he has completed schooling, but before he has adequate income to fully compensate his spouse for her support during his years of schooling. In other words, he does not yet earn enough to pay high alimony or child support payments (but he will, in time, earn high salaries due to her sacrifices).
Few provinces would actually call his degree or professional license a marital asset.

Various approaches may be used:
- The courts may require the husband to reimburse his wife for the costs of his schooling.
- The courts may require the husband to fund his wife's schooling in college, graduate or professional school, so that their earning ability will be equalized.
- The courts could state that, while his degree or license is not a marital asset, he must still pay her part of the professional income for a specified number of years or to a certain dollar point.
- The courts may order that he simply support her for a specified time, often for the period of time she supported him while he attended school.
- The equitable distribution of their assets might be shifted in her favour to compensate for the time she supported her husband and helped him fund his education.

It should be noted that if the separation agreement is mutually agreed upon, the provincial court might simply accept it without making a different determination of what is "equitable."

A marriage contract might be the way for couples to proceed into marriage. This would eliminate any problems down the road when it came to dividing assets. A contract of this type would spell out the assets coming into the marriage for each spouse. If something happened in the future, then there would be no argument about who owned what.

All Provinces have Laws and Regulations protecting the family. We will take a look at the Ontario Family Law Act.

FAMILY LAW ACT OF ONTARIO (for example purposes)
The Family Law Act is a statute passed by the Legislative Assembly of Ontario in 1990, regulating the rights of spouses and dependants in regard to property, support, inheritance, prenuptial agreements, separation agreements, and other matters of family law.
The purpose of the law is "to encourage and strengthen the role of the family; . . . to recognize the equal position of spouses as individuals within marriage and to recognize marriage as a form of partnership; . . . to provide in law for the orderly and equitable settlement of the affairs of the spouses upon the breakdown of the partnership, and to provide for other mutual obligations in family relationships, including the equitable sharing by parents of responsibility for their children."

The law has been amended numerous times since its enactment and has been modified by court rulings.

MARRIAGE & FINANCES

Although we may believe that marriage is not for us, sometimes the unexpected does occur. When marriage occurs, it does affect the woman financially. Today, generally both spouses are bringing in a paycheque. Before marriage, the woman made her own choices regarding her paycheque, how she saved it and how she spent it. Once marriage occurs, the decisions become joint. The financial freedom of choice is typically lost. This is not to say that marriage only affects the woman in this way. It should also affect the man in the same way. After all, this is a union in all senses. Certainly, the ideal situation is one of open communication with financial decisions made jointly and fairly. Realistically, this does not always occur. Should a wife-to-be consider how she could protect herself financially - especially if she already has a nest egg and other assets established? We believe the answer is a loud "Yes!"

The first step to marriage is a written budget that has been agreed upon before the wedding vows take place. This admittedly does not guarantee that the new husband will follow through with the budget, but at least the pattern has been agreed upon. Of course, both parties must have the good sense to amend the budget as new situations arise or new conditions become apparent.

Sitting down together and formulating a budget will do one more thing: it gives each person, prospective husband as well as prospective wife, a good view of who they will be spending their life with. By laying out a budget, ideally, each person will be aware of the other's financial obligations. This allows each party to see how money-wise the other person is.
Suppose, for example, you are the wife-to-be. Upon discussing the budget you notice that he has a Visa card carrying a very large balance with only minimum payments made (and those are usually made late). There are also other smaller bills scattered all over town. Your wonderful husband-to-be seems very unconcerned. He has no savings account and does not seem particularly interested in beginning one. He tells you that you are "too stiff" and that you need to learn to enjoy life. Having said that, he kisses you affectionately and indicates he is finished with this subject. You love him dearly so you overlook his emotional spending habits. The chances are he will not seem so endearing ten years after you are married. Your own savings account is likely to be depleted trying to keep up with his impulsive spending habits. The likelihood of having anything put away for retirement is slim. Love is a powerful opiate, but when you are entering marriage, overlooking such different financial views is dangerous.

Suppose you and your husband-to-be have come to terms regarding the budget. He has agreed to the budget written out on paper (always write it down, it should never be an oral agreement). Since you already have a savings habit and he already has a spending habit, should you consider the marriage contract? This is a very emotional subject for many people, especially the one who has nothing. The standard argument is predictable: once married, everything should be equal rather than "yours" and "mine. "The problem is, the one saying this is traditionally the one who brings nothing financial to the marriage. Guilt seems to be the best argument ("If you really loved me, you wouldn't ask me to sign something so cold").

Initially, forms of marriage contracts were used almost exclusively by Orthodox Jews and a few suspicious heiresses (who probably had more good sense than they were given credit for). Now, usually simply called premarital agreements, marriage contracts are widely used by everyday types of people.

One need not be rich to make use of this document. Anyone who has been a financially independent single person should consider such an agreement if marriage is being considered.

A marriage contract really is no different than a cohabitation agreement. It simply outlines financial views, goals and property arrangements. It does not mean that the agreement will even be followed to the letter after marriage.
Many such agreements can include terms for divorce, such as a waiver or limitation of alimony. Typically, the agreement also gives up or limits the rights of each party to the assets of the other. These agreements are most often seen when one of the two parties possess more than the other, but they may be used even when financial assets are equal. More and more such agreements are used when both parties have been previously married and there is the desire to protect the rights of the children from the previous marriages. A much newer trend in marriage contracts even includes such things as the division of housework or living styles ("We agree to spend one week each year at my parent's home in Halifax, NS"). It may even contain agreements on children: whether or not to have them in the first place, and, if they do agree to children, whether the wife will continue to work. There are no restrictions as to what can be included.

In the event of a split, the parties can usually come to terms on their own. Legally speaking, however, a marriage contract is considered a legal contract. There have been enough of them that have gone to court to establish some basic rules.

A contract will stand up in court if it has been correctly drafted and if it is legally fair. By legally fair, we mean parties had access to legal counsel (although legal council may not necessarily have been sought by both parties), both parties were open and honest on their assets and debts and neither party attempted to misrepresent their intentions. A major omission of assets or liabilities (such as the $50,000 debt owed to Canada Customs and Revenue Agency) will invalidate any rights you were given under the contract.

Most provinces will allow this type of agreement to limit rights or interests in the other spouse's estate, as long as both parties had both the right and the opportunity to seek legal counsel before signing the agreement.

Most professionals agree that it is important to have the document drafted by an lawyer. This removes any question regarding the legal right and opportunity to legal counsel. Of course, the lawyer selected should be someone who does not have any interest in one party or the other.

Regarding alimony, not all provinces will allow a marriage contract to limit or disallow it. A lawyer with experience in domestic law will be best able to advise you in this area.
Not everyone needs an lawyer to draft a marriage contract. If the assets are not great on either side and it is more of a marriage agreement than it is an asset distribution agreement, a lawyer is probably not necessary. If the assets are great on either sides, or even just on one side, it may be best to have two lawyers - one for each party. Expect to have friends or relatives state their opposition to the drafting of a marriage contract. This is especially likely to come from older people who did not see the need for such legal documents when they were married. However, things are not the same today as they once were. Women have access to much more financial income and assets today. What has not changed is the greed in the human race. However much we love someone today, we cannot know what tomorrow will bring. However difficult it may be to bridge the subject, it is necessary to do so. Will he stop loving you if you ask him to sign such an agreement? Social experts say "no," not if he is educated and loves you as much as you love him. In fact, perhaps he was trying to figure out a way to bring up the subject himself.

UNITED BY LOVE, BUT SEPARATED FINANCIALLY

When people marry, one of the first things they often do is open a joint chequing account. In addition, credit cards may be opened jointly. There is nothing necessarily wrong with doing this as long as your ideas about finances coincide. In fact, many modern marriages have three accounts: the joint account that all joint bills are paid from and two individual accounts that allow for individual financial freedom. If each party, husband and wife, experienced individual financial freedom before marriage, this practice often works especially well.

Many women experienced credit bias in the past. They were denied credit in their own names merely because they were women. Today that practice is nearly gone, although we do occasionally still hear stories about it happening (especially in business). Even though credit is fairer today, it is very important for a woman to continue to have credit in her own name. Death and divorce do happen.

Even in today's more liberal climate, many women who were recently divorced or widowed have found that they had difficulty establishing their own credit, even though credit had been established in their husband's name. This is not hard to understand from the banking industry’s standpoint. If the husband is no longer in the picture, will
income continue to be adequate? If, on the other hand, the wife had established credit in her own name *based on her own income*, this will not be a consideration.

Many married couples who maintain separate credit ratings also go one step farther: They execute a couple of different *power of lawyer*, naming the spouse or some other person as the person to act for you at different times.

**WHAT IS A POWER OF ATTORNEY?**

As opposed to a last will and testament, (which allows you to nominate someone to look after your estate AFTER you've died), a Power of Attorney allows you to appoint someone to make important decisions on your behalf DURING your lifetime.

The laws of all Provinces recognize TWO types of powers of attorney:

- Power of Attorney for PROPERTY
- Power of Attorney for PERSONAL CARE

A Power of Attorney becomes invalid the moment the "donor" - the person who gave the Power of Attorney - dies, and the will, if there is one, comes into effect immediately at death.

**Power of Attorney for Property**

This kind of Power of Attorney allows you to appoint a person of your choice to make decisions about PROPERTY and manage your FINANCES on your behalf. This may include doing things such as signing documents for you, paying your bills, or selling your home.

This form of Power of Attorney, provided it is stated to be "enduring", will allow the person you appoint to manage your financial affairs even if you become mentally incapable.

The person you appoint is called your "Attorney for property", and you may name more than one lawyer if you wish.

The Power of Attorney will be effective immediately unless you decide that you want it to come into effect later or under specific circumstances. Your Power of Attorney can
specify what authority your appointed lawyer will have over your financial affairs, and you may place conditions or limitations on the authority your lawyer will have.

For example, you may give your lawyer the power to do anything with your property that you could do yourself if you were mentally capable except make a will. On the other hand, you could limit your lawyer's authority to dealing with a single property only.

Either way, your property will still belong to you and must be managed by your lawyer in your best interests and in accordance with the law.

Power of Attorney for Personal Care
This kind of Power of Attorney allows you to give a person of your choice the authority to make decisions about your PERSONAL CARE should you become mentally - or physically - incapable of doing so for yourself. Decisions about personal care can involve things such as where you live, what you eat, and the kind of medical treatment you receive.

The person you appoint is called your "Attorney for personal care". You may appoint more than one lawyer if you wish. You may give your lawyer special instructions about the particular kind of care you want - or do not want - in certain situations.

Do I need a Power of Attorney?
In more serious circumstances, such as mental illness, which renders you even temporarily incapable of making decisions, it is reassuring to know that someone you know and trust will be handling your affairs, instead of a court-appointed person or a government official.

It is a good idea for spouses to give Power of Attorney for both property AND personal care, naming an adult child or children as alternates in case the other spouse is also incapable of acting.

Giving someone you can trust your Power of Attorney, with specific instructions as to when it is to be used, is often a good idea in any case.

For example, if you are traveling and become stranded or ill while abroad, a Power of Attorney for property will ensure that your affairs are properly handled in your absence.
In such a case, your Power of Attorney could act on your instructions given by telephone, fax or e-mail until you are able to return.

Do I need a lawyer to make a Power of Attorney?
While there are do-it-yourself forms available to allow you to appoint an lawyer for both property and personal care, there are special rules involved, which dictate whether a power of lawyer is validly signed, and whether it survives the "donor's" mental incapacity. A lawyer will ensure that these rules are properly followed and that your power of lawyer is in fact a valid one.

Furthermore, giving a Power of Attorney is a very serious matter. You are giving the person you appoint significant power over your property - or person, and there is always a risk that your lawyer could misuse this power. Although you are not required to consult a lawyer in order to make a legally binding Power of Attorney, it is a good idea to do so. Consulting with other expert advisors is also a good idea, providing they are impartial and concerned only with your best interests.

MARRIAGE MEANS INSURANCE
Besides all the guests that will be invited to the wedding, other people need to be notified that you are getting married. Your insurance agent or broker, accountant and other financial institutions will need to be notified.

When marriage occurs, life insurance is often upgraded or newly purchased. The single man who only purchased a $10,000 policy to cover his burial will now want to buy additional insurance to protect his new wife. If you or your husband-to-be has insurance through your employers, beneficiary designations will probably need to be changed. Usually, before marriage, it is common to place our parents on our policies as beneficiary. After marriage, these designations need to be changed because our moral obligations change.

If this is a second marriage and children exist from the first marriage, additional insurance is often purchased to equalize family expectations. Unfortunately, a new spouse often sparks resentment in children from first marriages. They feel that their father or mother's money will be diverted from them to this new partner. We would like to say that greed and other limiting emotions do not exist in families, but we all know they do. Even in the best of families, ill feelings often arise when a widowed
or divorced parent remarries. The solution is very simple. Call the family together (minus the new spouse in some situations, including him or her in others, depending upon those involved) and announce that your will shall remain the same despite the new marriage. Whatever the children would have received, they shall still receive. Let them know that your new spouse is not going to change their financial situation. That will prevent family tension. At the same time, take out a life insurance policy with the new spouse as beneficiary. The life insurance policy must be of a size that equals out your other property distribution. That prevents the new spouse from suffering financially, should you die, while also preventing family tensions.

Some items may warrant a change in beneficiary even if the general estate will not be diverted to the new spouse. For example, pension plans at work should certainly go to your spouse. In fact, most pension plans would only continue paying benefits to a legally married spouse, so this would not affect your children anyway.

You may also wish to change your beneficiary designation on other small insurance policies and your RRSP.

If you plan to change your last name (use your husband’s name), you should apply for a new Social Insurance card. It is important to make sure your Social Insurance records are correct to this point and properly transferred to the married name.

**SHARING VARIOUS TYPES OF OWNERSHIP**

Anytime two or more people, married or unmarried, share ownership of property, there are three basic ways of doing so:

1. **Tenants in common**
   The tenants in such an arrangement are able to leave their share of the property to beneficiaries with a will or other legal instrument.

2. **Joint tenants**
   The surviving joint tenants automatically inherit the deceased joint tenant’s share of the property. There may be two joint tenants or multiple joint tenants, so this arrangement is not limited to just the husband and wife.

3. **Tenants by the entirety**
This is a special joint tenancy that is limited to married couples. Tenants by the entirety enjoy special protection against the joint property being seized by creditors of one of the joint tenants.

When a woman or man marries and puts property that they owned before marriage into a joint tenancy or tenancy by the entireties, or deposits money into a joint account, that person is really making a gift of half the property's value to the new spouse. Various consequences of using a joint account must be considered. Transferring property into a joint account (for joint ownership) is not always the best estate-planning move. Often such transference is done to prove "lasting love" in the marriage. It is a show of trust. Unfortunately, many women have regretted the financial move later on.

There are other reasons why spouses may elect to "gift" half of their property to their spouse or even to another person. People who are afraid of losing large amounts of money in business or who are facing a potential lawsuit will transfer property into their spouse's individual name.

However, this transference does not always get the result desired. The transfer may be held void because it was a "fraudulent conveyance."

Of course, another risk is divorce. Once transferred, the spouse is free to sell the property or take it with him if he leaves the marriage.

It has been alleged that a large portion of unhappy marriages arrives at that point due to differing perspectives on finances. When either a husband or a wife is unable, or simply unwilling, to stick to a budget and plan for their future.

**TAKING CONTROL OF ONE'S OWN FINANCES**

Aren't you terribly tired of hearing about it? "You must have a budget. " "You must set goals for yourself. " Why are these things constantly being said? Don't people know how tiring it is to constantly be told such boring things?

Most people stay in their rut wearing blinders. Oh sure, they say they want to get ahead. The problem is they are unwilling to do what it takes. Oprah Winfrey has repeatedly stated that successful people are willing to work harder than the average person towards achieving their desired goals.
If that means long hours with little recreation, then that is what they do. If success means moving away from friends, then that is what they do. Because a goal, if it is to be successful, does mean lots of hard work, it is necessary to be sure that a stated goal is really desired.

Grandly successful people have multiple goals: short-term, long-term and lifetime. If you were to take an informal poll of your coworkers probably everyone plans to retire with enough money to pursue their interests. Once that is stated, ask your coworkers precisely how much money they have put aside to fulfill that goal. Most have done nothing other than dream. The average age of actually starting to put money aside for retirement is forty. Even at forty, the amount of money being saved for retirement seldom has any actual goal linked to it. Few people have actually thought out or researched precisely how much money must be saved.

As a woman or as an insurance agent or broker, goals are necessary in life. The goals need not always be money oriented, of course. Many very intelligent people simply do not have financial goals, but they do have life goals. Even a non-financial life goal must have some financial aspect to it. Say, for example, that a woman wants to become a missionary for her church. On the surface, that may not seem like a financial goal, but finances must certainly play a role. How will she feed herself? How will she house herself? How will she pay for the plane fare to the foreign country? All of these financial questions must be answered.

**Goals typically involve three periods**

1. **Short-term** - which is generally considered to be one year,
2. **Intermediate-term** - which is generally considered to be at least three years,
3. **Long-term** - which must be at least a five year period and is often as long as ten years.

There could be a fourth time goal added - a life goal. Life goals always involve retirement planning. For many people, a life goal also means how they will be remembered after they have died. This might include gifts to universities, charities or individuals.
Actually pinpointing a dollar goal can be quite difficult. One would have to factor in such things as inflation and how it affects an individual far into the future. That is why most people first concentrate on the three goals listed rather than on retirement goals. Perhaps that is also why professional money managers say that some goals need not have an actual dollar figure listed. Simply saving something towards the end goal is a starting point.

There are many theories on how to set up goals and, most importantly, staying with them. Many goals are set up only to be abandoned as time goes by. The same thing can be said about budgets (which often are part of a goal).

There are some generally accepted steps to achieving goals

- **Write down or type up your desired goals.** Putting a goal in writing is extremely important. It is the art of “visualization” that often keeps a goal on track. Although a goal must involve extra effort, *it must also be realistic.* Some goals may not be realistic. For example, most people would like to be millionaires and many people do make that goal. However, to set a goal that puts an individual into a failing framework accomplishes nothing. It is far more productive to set the goals based on a realistic individual framework. It is necessary to look at where one is presently and where one can progress to (including the use of education). Then set the goal accordingly.

- **Time frames are necessary** when setting down a goal. Whether it means looking for and finding a new job within a specific period or simply acquiring an additional year of education, firm time limitations are necessary.

- **Small goals lead to big goals.** Small savings accounts lead to bigger savings accounts. Setting goals must involve realistic steps that can be accomplished. Every person needs to feel a measure of success. Small goals that have been accomplished allow this. This would especially be true for the woman who has never managed her own money before.

- **Immediate action always feels good.** If the goal is to open a savings account, do it immediately. Even if the savings account is opened with only twenty dollars, it is a first step.
Many professionals feel that this first step is actually the most important start to success. Immediate action can motivate an individual to the next step and to the following steps. Action requires one to "act."

Although many of the "old schools" have said that women are not capable of making financial decisions, women are proving this old adage wrong in ever-rising numbers. The key to establishing financial independence is not so different from the duties women have performed for years. They must create and define their financial goals with an aim towards quality and dedication. The first step is to simply write down a few simple items on a piece of notebook paper.

Once the goal has actually been started, most people report that it is much easier to continue with it. It seems that the act of actually writing down the goal and the starting point somehow makes it appear attainable. In many ways, creating a goal independently of others is easier to carry out. For a single woman the goal and its achievement lie totally with her. For a married woman, however, cooperation is often necessary. This might include not only her husband but her children as well. It should be noted that a single woman might have a live-in partner who may also need to participate in achieving a financial goal. This might especially be true if the goal is something as permanent as home ownership.

It is not always easy to convince others to follow your goal. There are many reasons why this might be true. Perhaps the husband does not share the same goals. Perhaps the husband simply has no financial responsibility and sees no reason to change. Perhaps the children would prefer to "have" today rather than tomorrow. Perhaps the children cannot understand the goals that are depriving them today. Whatever the reason, a lack of cooperation can cause great stress for the woman who is trying personally to achieve a particular goal. There is no answer that can be given for such a dilemma. Every person and every circumstance is different and this course is not aiming at psychological analysis. However, it is sometimes necessary for a person (male or female) to continue with their goals alone when their partner is unable or unwilling to cooperate. This does not mean living alone, but it may mean saving alone. When savings are done on a singular basis, we do recommend that there be some sort of legal protection put in place.
When the family is involved, reaching a goal can be a fun experience for everyone. When children are involved, there should, however, be short-range payoffs. It is difficult for children to understand a five-year plan to buy a home. They will understand shorter goals, such as a pizza party, after saving for a month.

When children are involved in goal setting and goal achieving another very important aspect should be considered. A child who has actively participated in such activities will have a greater understanding of saving for future desires as adults! In addition, there will not be the fear that many adults have towards finances.

There are many types of goals. Some are for immediate use and implementation while others are for enjoyment. There is something magical about sitting around a kitchen table with a coffee cup in one hand and a pencil in the other mapping out one’s entire lifetime. It allows a period of dreaming, but also the possibility of fulfilling those dreams. It passes the "if I won a million dollars" dream, moving on to "if I save $100 a month, in 30 or 40 years I will have..." reality. The dreaming must, of course, have reality interwoven in order for the dreams to be carried out. The point is this sort of dreaming has a starting point. It allows a person to visualize what they want to achieve and, perhaps more importantly, visualize how they can make those dreams become an achievement.

For many women, simply finding the starting point is difficult. This may especially be true if they are working in a job (versus a career) that has little to offer in the future. Too often, women tend to underestimate their choices in life. Even if the dreams mean that one must go back to college, the movement towards college is a starting point.

Ask your clients and prospects these questions:

- Are you currently working at a job or are you engaged in a career? This should not be answered too hastily. Sometimes the employment may appear to be a "job," but with some adjustments could become a career.
- Are you considering a change in your job, whether that means changing careers or simply applying for a new position with the same employer?
- Is college a consideration? Many women find that additional education is necessary following a divorce or the death of a spouse.
• Is your personal life about to change? Perhaps divorce is a possibility or your mate is currently ill. Maybe you are getting married.
• Have you decided to stay single permanently?
• Do you have children or do you plan to have children in the future?
• Are you a single head-of-household (meaning you have dependents)?
• How do you receive your income? This could include trust funds, salaries, commissions (which means your income varies), and alimony, investments made by you or others in your name, dual incomes and so forth.
• Is there the possibility that you may, at some point, be responsible for the care of another person? Often this would include not only a spouse or children, but your parents as well. Women tend to be the major caregivers of their parents even when they have brothers.
• How close is your retirement? This is important because it gives you a period for your retirement planning.
• Is a major purchase in your plans? Usually this would be something like a home, but it could also be a four-year college degree.
• Is relocation a possibility? This often relates to a career change.
• At some point, do you plan to live outside of the Canada?
• What is your current background in financial planning? Will you need to take some time to study your finances and the possible avenues that are available to you?
• Outside of your current job, do you have any viable moneymaking possibilities? Perhaps you write children’s books or you have a hobby that has the potential to make additional income.

These listed questions are only some that you may want or need to answer. Every situation can be different. These questions are designed to get you started. Knowing the answers can be the first step to financial planning. One of the primary reasons for goal setting is to clarify current situations and identify possible new ones.

It is common for women to feel helpless in the job market. So many of the jobs available are service jobs that pay very low wages. Of course, men also find themselves in this situation, but it seems to most often grip women and minorities. Sometimes women are afraid, just like everyone else, to try something new. They tend to overlook income possibilities, such as hobbies or special abilities.
Commissioned sales are often the path many women discover. Additional schooling is often necessary. Going back to school is not always an easy path to take, but it may be the only realistic avenue.

Women may not always seem as aggressive as men, but that is not necessarily a shortcoming. The art of negotiation is often more important and women do seem to be excellent in this field.

**Here are some points that a woman may want to consider:**

*When offered a job title, look at what will accompany it.* Either more compensation or more responsibility (not necessarily both) should go with the title.

Titles in themselves may look good on a business card, but if it does not meet an end goal, you may wish to question it. Sometimes simply acquiring more responsibility, even without more compensation, is worthwhile. A management title may, for example, gain the woman access to top-level meetings where she can learn a great deal. This additional access to information can mean a promotion in pay later on.

*A boring job is never satisfying.* If you are in such a job as a stepping stone it might be worthwhile, but if you are in such a job just for the paycheque it is seldom, if ever, worth it. Everyone, men and women, need to find satisfaction in the work they do. Sometimes it is up to the individual to find elements of their career that are satisfying, but often the job itself simply does not offer any challenges.

*Never underestimate your ability.* There are always others that are willing to do that for you. If you feel you would be excellent in commissioned sales, do not let anyone tell you otherwise.

*Never waste your time.* I know, I know! You have heard this since you were a child. Unfortunately, few people take this advice seriously. We waste time financially and we waste time personally. When it comes to finances, wasting time is the number one mistake people make - even though they have heard this repeatedly.
ACHIEVING PRIVACY - WHY IS IT NECESSARY?
Women often give others too much information about themselves. Men do so as well, perhaps, but it can be especially dangerous for women. When women interact socially, they often tend to be too trusting. It is especially important to maintain privacy when it comes to finances. This is, of course, true for all people, not just women. It is important to note, however, that women are often the targets of money scams because they are so trusting and are perceived to be naive as well.

In today's climate, the right to privacy has become increasingly difficult. There are so many agencies and organizations that seek information on individuals and there are many ways in which to obtain that information. There is little doubt that computers have aided business in endless ways, but they have also enabled companies and organizations to know more about individuals than ever before. The government is actually the chief collector of information. Of course, some of this is necessary, but much of it is not.

A hundred years ago, financial privacy was not a problem. A person was identified by their name and occupation - period. Since then, we have adopted Social Insurance numbers, banking numbers, insurance license numbers, driver's license numbers and so forth. Few of us consider ourselves important enough to be of interest to large institutions, but you might be surprised to find out how interested groups are in who you are, what you own and where you are headed. Tax-deductible organizations want to know your income so they can target you for donations, medical organizations want to know all about your health status and personal habits, insurance companies want to know who you are so they can send you information on their products, general advertisers want to know all about your habits so they can send you information (in the hopes you will buy) on their products. It goes on and on.

Not all that long ago, no one would ask what you earn, how much you paid for your home or what your wardrobe cost. Today that has changed. You are asked questions without embarrassment. Unfortunately, we seem to feel the need to answer those questions! At the very least, women need to learn ways to avoid answering personal questions.
There are valid reasons to maintain one’s privacy. This is especially true of your financial privacy, including how much life insurance you carry, where your annuities and RRSP’s are located, and so forth. It is possible that you and your clients will suffer financially if certain precautions are not taken. There is an increasing incidence of financial robbery in Canada.

A single woman may be perceived (rightly or wrongly) to be an easier victim than a man or a married couple. As a result, a single woman, especially one who has allowed her finances to be known, may be more likely to be targeted by the dishonest salesperson or thief. Ben Franklin said, "Experience keeps a dear school, yet fools will learn in no Other." It is probably impossible to keep all information private.

The government keeps approximately 50 files on the average Canadian today.

They include:

- Motor vehicle licenses and registrations
- Professional licenses, such as your insurance license
- Social Insurance Numbers, both taxes paid and benefits received
- Welfare payments, if applicable
- Federal, provincial and local tax returns
- Medical histories, particularly at hospitals
- School records
- Unemployment compensation
- Birth, marriage and death certificates
- Any military and veteran's benefits
- CSIS and police records
- Court records
- Deeds
- Passports
- Census records

Additional lists are kept on some types of businesses:

- Insurance companies
- Employment agencies
- Medical doctors and psychiatrists
- Credit bureaus
- Banks and financial institutions
- Brokerage houses and investment funds
- Car dealers, mail-order firms, and mortgage companies
- Clubs and organizations, Genealogical bureaus and Churches

You can probably think of more organizations not included in this list. According to one study, nearly three-fourths of the time, the individual provides the information on themselves. In other words, we talk too much. Of course, in many cases, we are forced to give personal data on penalty of law and in many cases, giving such data makes sense. For example, when applying for credit, it is natural that the lending institution is going to require certain information. After all, you are asking for their money. Of course, information can be minimized in other circumstances. Certainly, financial information should not be given out to just anyone who requests it. This is certainly true of someone who simply shows up at our door.

Insurance companies ask for information when applications are filled out. Again, they have good reason for doing so. As every agent or broker knows, it is important to accurately give the information in order for the desired results to occur. It is possible to request privacy of information. In other words, each company, which has a legal and moral right to certain information (such as an insurance company), can be instructed not to sell or give away the information you have provided. Your clients can request the same privacy.

**CONTROLLING DEBT**

Most people would like to keep the amount of money that they owe low, but somehow that just never seems to happen. Plastic has made it so easy to go into debt and companies offering charge cards seem to target our young people as soon as they flip their first hamburger. For women who are entering a new phase in their life, such as divorce or a single status due to death, controlling debt is often a first step to financial security.

Money in itself is neither good nor bad. How it is handled determines the status it obtains in our lives. It sounds simple: stop spending and start saving. However, as anyone who has tried this "money diet" knows, it is very difficult.
The truth is, **no person or institution will trust their funds with someone who cannot control their own spending habits.** That means the home loan will be denied, the loan to start your own business will be turned down, a simple credit card charge may be impossible.

Few women receive actual training in money management. For that matter, men receive little training either. Schools often teach basic banking skills, such as how to open a chequing account, write cheques and balance the register. What are not taught are the dangers of credit cards and that is usually what first hits a person. There is a great feeling of pride in laying down a credit card and simply taking home all the material goodies available. Few people starting out in their first job can resist the temptation. Perhaps the first thing a person needs to realize is the extent to which the Canadian people are sold material goods. Until we decide not to be "targets," we will have a difficult time controlling our debt. Women are especially vulnerable to the "Prince Charming" image: simply live for today and wait for Prince Charming to come along and take care of tomorrow.

There is no easy way to escape debt. It requires logical thinking and a lot of will power. Debt consolidation loans seldom are a remedy because statistics show that the majority of people continue to spend as before. As a result, they run up the bills all over again, plus have the bill due each month for the consolidation loan. Instead of correcting the situation, another bill is simply added to the load.

As with so many things financial, the starting point is pen and paper. It is necessary to have a written budget that is followed. Is it tough to do that? Of course, which explains why so few households actually have a budget, let alone follow it.

It is always necessary to first establish your **net worth.** This means the amount of money you either have or owe. One's net worth tells how much is coming in and how much is going out and, finally, how much is sitting somewhere gaining interest earnings. For many women, the first time net worth is calculated, the resulting figure is a negative one. The goal is to turn that negative into a positive.

If a negative figure is the result, it is important to move down the list of debts and find out precisely how much in debt you are.
Only then can you begin to move out of debt and into a positive financial state.

It is necessary to recalculate your net worth twice a year. By doing this, you can see if you are on track. Only by staying on track can you expect to eventually accomplish the financial goals you have set.

Many forms available will help you establish your net worth. A simple loan application will work. A plain piece of notebook paper will also work. In one column, list all that is owed. Remember to list those items that are only due once per year, such as insurance. In the second column, list everything that you own. Remember to list cash value life insurance. Subtract what is owed against what you own. The resulting figure is your net worth.

**Assets minus liabilities equals net worth.**

After your net worth is established, it is necessary to determine how old your debts are. This again is done with pen and paper. List your debts according to whether they are 30, 60 or 90 days old. Hopefully nothing is older than 90 days, except instalment loans.

**DEBT AGING**

Having set up a *debt-aging chart*, it is necessary to establish what amount of your monthly earnings can be used to begin paying off these debts. It is important to establish no new debts. The higher interest items generally should be paid off first.

Many credit cards charge rates of 18 to 22 percent. It is vital to establish a good credit rating for future goals. A poor credit rating will keep you at the bottom.

If some debts are old and creditors have been writing or calling, it is probably wise to contact them personally and let them know what you are doing. You will probably be surprised at how supportive many of them will be. Even if you take longer to pay the debt than you were originally supposed to, the creditors will prefer late payment to no payment at all. It is necessary to develop a plan and then stick to it. Creditors who were helpful initially will not remain so if the plan you propose is not followed through.

Regardless of the type of credit being sought, the standards considered tend to be stable. They are referred to as the three C's of credit: character, capital and capacity. That means, *"Does the person have a history of paying their bills? Does the person have the ability to pay their bills? Will the person continue to pay their bills?"*
Criteria that a bank or other lending institution is interested in:

**Age**
In most provinces, a person must be 18 or 19 years old to be legally responsible for their debts. Certainly, a lending institution wants the person to be legally responsible for repayment of a loan.

**Stability**
Although there are many elements to stability, the lending institution will be primarily considering how long you have lived in a particular area. How long you have lived at your current address, whether you rent or own, is also a measure of your stability. In addition, such things as having a savings account, life insurance and other investments also add a measure of security.

**Income**
Of course, the lending institution will be looking at your income when you apply for a loan. By law, a woman is not required to disclose any income she receives from alimony, child support or separate maintenance agreements. However, if you wanted the creditor to consider this income you would then want to list it.

**Expenses**
Just as it is necessary to know your net worth in order to establish your own financial goals, the lending institution will also want to know your net worth. This means that you will be listing not only your assets, but your debts and expenses too.

**THE VALUE OF CREDIT**
Much to the surprise of many consumers, one’s credit rating has in the past affected some types of insurance policies. Credit ratings can also affect whether or not an agent or broker can get appointed to sell the products of some insurance companies.

Some types of insurance are commonly the victims of false claims. Therefore, the consumer's credit rating can have a bearing on whether or not an insurance policy will be issued. There are, of course, many reasons why an individual needs to maintain a good credit history, with insurance being only one of them.
It is illegal to be refused for credit solely due to nationality, colour, religion, sex, age, and marital status.

The following are some specific rules, which may apply:
Lenders may not refuse you credit solely due to your gender or marital status (because you are a divorced woman). If credit is denied, the consumer may request an explanation of the denial. The explanation may be given either orally or in writing. If it is given orally, you may wish to write down what was said and request that the lender sign or initial it. This may be valuable if you plan to challenge the rejection.

Lenders are not allowed to ask whether you plan to have additional children (which may affect your job status). Young women who have recently married sometimes find gaining personal credit (without the husband's involvement) a difficult process because the lender cannot legally depend upon her husband's income.

A female's income may not be unfairly discounted when the husband and wife apply jointly for a loan. It is acceptable to apply equal job considerations to both the husband and the wife. In other words, if it is true that the wife's income may end (applying the same criteria when valuing the man's job), then the lender may refuse the loan on that basis. Part-time work may not legally be classified as unstable purely on that basis.

It is illegal to say anything to a woman, whether by phone or in person, that would discourage her from applying for credit merely because she is female.

A married woman may use either her married name or her maiden name when applying for credit. She may also use her maiden name hyphenated with her husband's name if she desires. The lender is allowed to ask for all names that debts and credit may be established in.

If a woman desires credit in her own name (which professionals encourage her to do), she may cite as proof of her creditworthiness the credit history of any accounts she has used. This includes accounts of her husband or ex-husband, if she used them.

A woman is not required to reveal whether or not she receives alimony. However, if alimony payments are partly the basis of her creditworthiness (she relies upon them financially), the lender is entitled to ask questions relating to how dependable her ex-husband is likely to be about making future payments.
It may be necessary to receive his permission before checking his credit history to establish this. If the ex-husband turns out to be a poor risk, then alimony income could be discounted.

The lender cannot ask a woman's marital status when she is applying for credit based entirely upon her own resources. There are times when a lender may legally request information regarding one's husband. A lender may inquire if the husband will be using the account or if he is contractually liable for it. If the woman lists her husband's income as proof of creditworthiness, the lender may legally require additional information as well.

The lender may not request a co-signer for a woman's loan if one would not be requested for a man under the same circumstances. There are times, however, when the lender has the legal right to require that the husband also sign the loan application.

If a woman gets a divorce and her charge accounts had been granted purely based on her own personal income, the stores cannot arbitrarily close them or limit their use. Of course, she must continue to show her creditworthiness. If payments are missed, for example, the lenders do then legally have the ability to close the accounts or limit their use. If the credit cards had been issued based on the husband's income, the stores may require that the newly divorced woman reapply under her own income and ability to pay. If, using her own personal circumstances and credit history, she is unable to meet the store's requirements, the accounts can be closed.

**RETIREMENT INVESTING**

Everyone retires someday - even women. Women face special retirement problems. Many professionals feel that women must especially make retirement plans early in their lives. Relatively few women become entrepreneurs, although the numbers are increasing. Women are more likely to be working to put their children through college or to help make mortgage payments.

As we know, women tend to outlive men. At one time, many of those retired women had only a scattered work history and no pension of their own. That has changed in some ways. More and more women not only do work, they want to work. It is important for women to realize that they are likely to spend their last years alone (or with a second or even third partner).
Since women, rightly or wrongly, tend to earn less over their lifetime than a man, it becomes especially important for her to plan for her retirement at an early age.

Women need to establish their own Registered Retirement savings Plans and contribute to them yearly. If a pension plan exists through her employer, she needs to take advantage of it. The wife, as well as her husband, needs to think money when planning for retirement. Too much money is always better than not enough!

Retirement offers no free lunches. Those aspects that appear free were actually paid for dearly. Although there are many "senior discounts," those discounts only apply when you have the money to buy something. Everyone has heard that money cannot buy health or happiness. Perhaps that is true, but it is certainly better to be able to pay your doctor and to do things that make you joyful. That does sound like money has the potential to at least try to buy health and happiness.

Generally, income declines upon retirement. While some make an argument for cheaper living once retirement occurs, this may not necessarily be the case. It is true that some expenditures decline or disappear in retirement, but others may come forward. Rent is only less if you live in lesser circumstances. While children are grown, grandchildren and great-grandchildren will appear in abundance. Job costs are gone, but other expenses similar may appear.

**INFLATION - THE SILENT ROBBER**

There is simply no way around it. Retirement still requires living expenses and to have the money necessary, one must plan. The great unknown - inflation - is a robber of retirement savings. Because we do not know what the rate of inflation will be in twenty to forty years, we must save more than seems necessary in order to be prepared. History has told us that costs traditionally go up, not down. With that in mind, we must assume that the cost of living will be higher when we retire. Therefore, if we require $2,000 per month now to live on, we may require $3,000 per month twenty years from now (to maintain the same standard of living).

Few people consider themselves investors, but most of us have made investments of one kind or another. It does not require shares of stock or mutual funds to be an investor. Simply contributing to an RRSP qualifies one as an investor.
Even the purchase of a home is an investment (probably the largest investment that many people ever make).

The purpose of investing is simple: allow your money to grow (working for you and your future). If an individual does not invest in some way, inflation will erode the buying power of their dollars. It requires the offsetting effects of interest earnings to equalize the effects of inflation. Even when inflation is relatively low, it still exists. Besides, there is never any guarantee that inflation will not jump up. The effects of inflation especially hit those individuals who are in the low to middle income brackets. The rich seem to have more avenues to combat inflation.

When a goal is desired, such as a comfortable retirement income, it is necessary to move from casual investor to purposeful, goal-oriented investor. Doing so requires what might be termed long-term goals. Some simply call it "seeing the big picture." Knowing the end goal, or the "big picture," enables one to make financial decisions based on specific information with a specific result in mind.

It is easy to be a timid investor. The federal deficit has reached gargantuan proportions, which affects investments of nearly every kind. The average person does not have the confidence that a qualified financial investor would have. Therefore, many people turn to us as insurance agent or brokers and financial planners for guidance.

Knowing this, it is extremely important that anyone dealing with long-term investments understand the economic climate. That does not mean we must know everything in the investment world, but it does mean that we must be informed to a reasonable degree. When a country's deficit reaches the size that it has in Canada, it influences the country's economic growth in general. The huge deficit gives the government less room to make adjustments in their fiscal policy, which means a reduced ability to stabilize the economy. This often fuels inflation making "real" interest rates more difficult to obtain.

The "real" interest rate is the current interest rate paid minus inflation. This situation makes it more costly to buy on credit as well.

Some indicators can be used to predict economic trends for the short-term investments. They include the unemployment rate, changes in monetary and fiscal policy and events of international scope, which would affect our own economy.
Most professionals read the daily newspapers with an eye towards these stories. Besides your local newspaper, The Globe and Mail or the National Post will give you excellent information.

THE FIRST STEP TO INVESTING IS TO MAINTAIN ADEQUATE LIFE INSURANCE

When investing, some basic items should always be accomplished first. Life insurance is a means of protecting one's family, spouse (if applicable) and other dependents or persons who would suffer financially in the event of your death. According to many experts, people tend to protect their replaceable assets (cars, jewellery, etc.) better than they do the one asset that cannot be replaced: your life and your ability to earn an income. They recommend the purchase of life insurance for every woman, even if she is single without dependents, because the proper policy can accumulate funds for future events or needs (such as retirement).

Deciding on a life insurance policy is often confusing for the consumer. Some companies suggest term insurance policies while others feel cash value policies offer the best long-term protection. Although this is a personal decision, the consumer often prefers that the insurance agent or broker make the choice for them. Their reasoning is understandable: insurance agent or brokers deal with insurance professionally and the consumer does not.

**Term insurance** is often referred to as **temporary insurance**. Term insurance protects the insured for a specific period, such as one year or five years, or to age 75. It often, in one's younger years, provides the most protection for the least amount of premium dollars. It is important to understand, however, that no cash values accrue. That means that, once spent, the premiums are never returnable in the form of interest earnings or cash accumulation. As a person becomes older, the premiums become higher (often higher than a cash value policy that had been held long term would be). Term insurance is most often suggested for temporary needs, such as mortgage insurance.

**Cash value** insurance policies provide **permanent insurance** for the duration of the consumer's life in exchange for a specified annual or lump sum premium. Part of the premium goes for the purchase of insurance protection and part of it creates a cash value. The consumer can borrow against the cash value of the policy, usually at a relatively low interest rate.
The consumer is not required to repay the policy loan, although the amount of the loan would be subtracted from the value of the policy before any death or cash surrender benefits would be paid.

Neither type of life insurance (term or cash value) is always right or always wrong for the consumer. It depends upon multiple factors, including income, the number of dependents and lifestyle. When determining the "right" amount of life insurance, the resulting figure often sounds astronomical to the consumer, but adequate life insurance can mean the difference between security and financial disaster for the survivors. Too much money is always better than too little.

PROTECTING THE WOMEN’S INCOME WITH DISABILITY INSURANCE

Disability insurance is another type of insurance that single women (even married women who work outside of the home) often tend to overlook. Disability insurance can be expensive, depending upon the benefits selected, but a person is more likely statistically to become injured and disabled than they are to die. The likelihood of suffering a short- or long-term disability at the age of 30 is five times greater than the possibility of an accidental death at the same age. Disability insurance should especially be considered if the consumer is self-employed.

When offering the consumer insurance products, be discriminating. As an agent or broker, you have the ability to represent either the best or the worst of companies. Make certain the company you choose is solid financially. Find out how good the company’s service is. This is important to both the consumer and you, as the agent or broker. A service-oriented company will always have an 800 number for toll-free calling. Be sure you understand all administrative charges and costs and are able to clearly explain these to consumers.

ESTABLISHING A SAVINGS ACCOUNT

After securing your insurance needs, the next investment step is a savings account. A minimum of three months living expenses should always be available in a savings account. It is preferable to have six months’ worth for maximum security. If a person has not formed a strong savings habit, it is unlikely that she will be successful in any type of investing. Unfortunately, many people use a savings account as a "put-and-take" account.
In other words, they do put money into the account, but they also take the money right back out again. The result is no different than if the money had been put into their chequing account and spent immediately.

When it comes to savings accounts consumers are advised to consider a Tax Free Savings Account.

The TFSA is an investment option for Canadian residents 18 years and older wanting to save for the future. The TFSA’s flexible structure allows the holder to be able to withdraw money from the account at any time, free of taxes. The allocations into the account are non-deductible; however this represents a lucrative opportunity for individuals with leftover income to invest in a savings vehicle, without the pressure of time constraints. The interest-income will be able to compound tax-free.

One mechanism in the design of the TFSA is the carry-over aspect. Any unused space under the $5,500 cap can be carried forward to subsequent years, without any upward limit. The TFSA also allows income splitting to an extent, because a higher-earning spouse can contribute to the TFSA of a lower-earning spouse.

The $5,500 annual contribution limit is indexed to the Consumer Price Index (CPI), in $500 increments, in order to account for inflation.

**HOME OWNERSHIP**

The third investment step is home ownership. Many single women fail to consider the advantages of owning their own home. Certainly, it also means more responsibility (the lawn must be mowed and property taxes must be paid), but the overall advantages are tremendous.

A home in a good location always tends to increase in value, even in financially difficult times. A home is not a short-term investment. Increased value takes time in most cases. However, everyone must live somewhere and home ownership carries tax advantages as well.

**INVESTING DISPOSABLE INCOME**

Once life and disability insurance is in place, at least three months’ worth of living expenses have been saved and a home has been purchased, we are ready to look at
investing "disposable" income. **Disposable income** means available money, which is not needed to live on. You could invest this money and still pay your mortgage payment and utilities. Many consumers never arrive at "disposable" income because they manage to spend every dime they receive. However, most of us can arrange to have disposable income by budgeting and common sense spending.

How one invests depends upon their stage of life. Younger people are better able to take risks than older people, because the younger you are the more time you have to recoup investment losses. Most professionals do not recommend investing entirely in high-risk vehicles. Rather, it makes more sense to have a balance among the low-risk and high-risk vehicles. Most professionals use a pyramid to show risks, with the highest risks at the top and the lowest risks placed at the bottom.

Which items are considered high risk and which are considered low risk often vary. However, if you have guaranteed returns, it is probably a lower risk vehicle. If no guarantees exist, it is likely to be a higher risk financial vehicle.

*The main goal of investing is to enable your money to earn more money.* The secondary goal is to keep as much as possible. This might mean using annuities for their tax-deferral status or an RRSP for their sheltering tax status.

**REGISTERED RETIREMENT SAVINGS PLANS (RRSP’S)**

In the Income Tax Act of 1957, the provision for the introduction of the Registered Retirement Savings Plans was put into place. This springboard would launch a whole new industry of Retirement Planning.

Your prospects and clients can contribute, from earned income, within certain limits to a registered retirement vehicle from an approved source. When this happens, you reduce your taxable income when filing income tax returns. Tax on the investment income earned in the plan is postponed until you withdraw the income, this usually begins at retirement. This income is taxed at personal income tax rates along with Pension Income from all other sources. Some of these sources may be RPP, DPSP, RCA, CPP, QPP and OAS to name a few.
Pension Adjustments (P.A)
A PA is the total amount of contributions made to an employer sponsored pension plan, (Defined Benefit, Money Purchase or Deferred Profit Sharing plans), on your behalf by your Employer (s) in the preceding year in accordance with the terms of your Collective Agreement.

In laymen’s terms, the P.A. represents value of benefits accrued during the years for an employee enrolled in any of the above mentioned pension plans regardless of whether the employer or employee or both contributed. The P.A. is reported to Revenue Canada and the Employee on the T-4 slip. The P.A. reduces the Employee’s Contribution Limit.

Sources of RRSP’s
Revenue Canada allows all RRSP’s that are placed with Trust Companies, Banks, Life Insurance Companies, Credit Unions and Investment Companies such as Invesco, CI, and AGF etc.

Deduction Carry Forward
Any portion of contribution limit not used in prior years can be carried forward indefinitely. This replaces the old rule, which limited the carry forward to a period of seven years.

In general terms, an individual’s unused RRSP deduction room available at the end of a year is the difference between the RRSP deduction limit for the year less the deductible contributions made in respect of the year. This will allow an individual to catch up on contributions to which the individual was entitled in a year but was unable to make for some reason, such as not having the cash.

What constitutes earned income?
Earned income generally includes salaries, commissions, royalties, net rental and business incomes less losses, alimony or maintenance benefits, taxable benefits, supplemental EI benefits, net research grants, CPP & other taxable Disability income.

From earned income, there are certain reductions that will decrease the earned income total. These are interest earnings, dividends, union dues, and professional membership fees.
Alimony or maintenance payments made by the taxpayer that are deductible for tax purposes will reduce earned income for RRSP purposes. Periodic pension payments and retiring allowances no longer qualify as earned income as well.

**Contribution Levels**

Over the next few years, the allowable contribution levels for RRSP’s will be increased.

*Starting in 2006 contribution maximums will be indexed to increases in the average industrial wage.*

For the year 2006, 18% to a maximum of $18,000  
For the year 2007, 18% to a maximum of $19,000  
For the year 2008, 18% to a maximum of $20,000  
For the year 2009, 18% to a maximum of $21,000  
For the year 2010, 18% to a maximum of $22,000  
For the year 2011, 18% to a maximum of $22,450  
For the year 2012, 18% to a maximum of $22,970  
For the year 2013, 18% to a maximum of $23,820  
For the year 2014, 18% to a maximum of $24,270  
For the year 2015, 18% to a maximum of $24,930  
For the year 2016, 18% to a maximum of $25,370

A person between the ages of 18 and 71 is eligible to contribute to RRSP’s. The contribution has to be made within 60 days following December 31st of the previous year.

**Spousal RRSP contributions**

An individual may contribute to an RRSP of which he or she is beneficiary and/or to a spousal plan. A spousal RRSP may be advantageous where the spouse is younger, since a longer accumulation period will be available. It should be noted that a taxpayer’s ability to contribute to a spousal RRSP will not be reduced if the spouse has earned income and has made a contribution to his or her own RRSP.

The receiving spouse is the applicant, owner and annuitant and signs the request for registration. The tax deductions certificate issued may or may not include the spouse contributor’s name, but can be used by them regardless.
The majority of people, especially women need to plan for their retirement personally because no one else is doing so. As everyone should know by now, it is not possible to retire solely on the benefits that will be provided by Old Age Security and the Canada Pension Plan.

**ANNUITIES**

**Annuities** evolved from the life insurance industry. Annuities are a life insurance product, but with some very important differences. **Annuities** are essentially long-term savings accounts sponsored by insurance companies. Licensed insurance agent or brokers sell them. Although banks and trust companies will market other forms of annuities.

An annuity is often used as a safeguard against living too long. There is often the fear on the part of retirees that they may outlive their savings. This is not an idle fear. People are living longer and longer. Most annuities have a 100 percent guarantee of principal as well as a minimum guaranteed interest rate. Normally, an annuity will pay more than that minimum guarantee. Annuities are an extremely useful estate-planning tool. Annuities are a form of capital that the individual cannot outlive, if annuitized for a lifetime income. An **annuity** is simply a **periodic fixed payment** (if annuitized) for life or for a specific period, made to an individual or individuals by an insurance company.

There are two basic types of annuity contracts in Canada:

1. **Annuities Certain** – which provide income payments for a specific guaranteed period, such as income for 10 years, or until you reach a specific age. If RRSP funds are used to purchase the annuity, the period must be until the year you or your spouse reaches age 90. If funds other than RRSP’s are used, any period is permitted.

   If you die before the end of the payment period, the remaining payments are available to your beneficiary or estate (certain RRSP restrictions apply). Some plans will allow you the freedom to collapse them at any time. The disadvantages to this type of annuity are the lack of investment flexibility and the fact that you may outlive the payment period of the annuity.

2. **Life Annuities** – provide income payments for your lifetime. These types of annuities can be with or without a guarantee period. These types of annuities will provide a
guaranteed income for life. They provide some estate benefits if death occurs during the guaranteed period. Increasing income can protect against inflation. Some plans allow you the freedom to collapse the annuity at any time.

The disadvantages are that the income is lower the longer the guarantee period with no investment flexibility.

Taxes are paid on the taxable portion of the annuity, which is the interest earnings, for the year in which they are received.

Any principal withdrawn is not taxed because that money had already been taxed before depositing it into the annuity, if it is non-registered money. When an annuity contract is annuitized, the insurance company determines the amount to be received in the monthly cheque. The amount of money that will be received is derived from a formula that uses such factors as age, principal plus interest earned and the payout option selected.

Although annuity contracts do vary, there tends to be some standard options offered:

**Single Life – No Guarantee**
For as long as the annuitant lives, he or she will receive a cheque each month for a "set" sum of money. The amount to be received each month will never change. That is why it is a "set" amount received. This option will pay the maximum amount in comparison to the other options offered. This option gambles on the longevity of life.

If a person lives a long time, they may collect handsomely over time, much more than the annuitant ever paid into the annuity. If, on the other hand, their life is cut short, the insurance company will keep any balance left unpaid. No leftover funds will be distributed to any beneficiaries.

**Joint-And-Survivor – No Guarantee**
Under this option, the insurance company will make monthly payments for as long as either of two named people lives. This option is often utilized by married couples, but may be used by any two people. The insurance company when determining what the monthly payments will be set at considers both of the people’s ages.
Period Certain
The key word here is "certain." The "certain" period is usually either ten or twenty years, but may be another period also. This option states that should the annuitant die before the stated "certain" period, payments would then continue to the beneficiary until that specified number of years had been met. On the other hand, the annuitant may receive payments longer than the "certain" period stated. That is where the "life" part of it comes in, The annuitant is guaranteed to be paid for his or her lifetime.

Cash-Refund Annuity
If the annuitant dies before the amount invested has been paid out by the insurance company, then the remainder of the invested money, plus interest, will be paid out in monthly instalments or in a lump sum to the named beneficiary or beneficiaries.

In each of these options, the insurance company pays nothing beyond the agreed period.

Review of different variations available for annuities
- **Single Life** - nothing after the death of the annuitant.
- **Joint and Survivor** - nothing after both named people have died.
- **Period Certain** - nothing after the death of the annuitant or until the stated period, whichever comes first.
- **Cash Refund** - nothing after the full account has been paid out, whether to the annuitant or to the beneficiaries.
- **Impaired Annuities** - An annuity issued because of poor health. A much higher payout is provided.

With all of these options, nothing beyond the terms of the contract would be paid to the estate. Remember that an annuitant could live to be extremely old and still receive monthly income, far past the amount ever paid into the annuity. Unfortunately, many people never realize that annuities, while marketed by life insurance companies, are actually the **opposite** of life insurance. **Annuities pay in life while life insurance policies are designed to pay in death.** In the last few years, we have seen a number of annuity products developed that are very much like a Certificate of Deposit. The volatility of the stock market and lower interest rates has provided a perfect climate for such product development. The many factors seen today often produce what is referred to as...
“investment stress.” Simply put, investors do not trust anyone! Consequently, it has become increasingly important to develop financial portfolios that include some type of middle ground for the consumer’s assets. These investment products must also provide guarantees of principal, a competitive interest rate and reasonable access to the investment funds. Certainly, the investment must also contain a very minimum level of risk. Insurance companies, in response to the current marketplace, have developed products to accommodate the marketplace.

Annuities are certainly safety-oriented products as a whole and these are simply points that an agent or broker or broker will want to check out as a matter of caution:

- **As with any insurance company, make sure that the company itself is financially strong.** When Confederation Life collapsed, it was thought at first that many policyholders and annuitants would lose money. As we know now, this was not the case. Even so, it was a stressful situation for those consumers who had trusted the financial stability of the company when they purchased their contracts.

- **Check out any charges that may apply.** Most annuities do not have administrative charges, but some do. These are long-term investments so the consumer should expect to leave their funds for a period. However, some companies do have much longer surrender periods than others. The severity of the surrender charges must also be considered. *How many years at what percentage?* That is the primary question.

- **Withdrawal provisions are often thought to be guaranteed in an annuity.** While most are, some are not. Typically, a yearly 10 percent free withdrawal is allowed from the second policy year on. Some may allow a withdrawal in the first year. Others may have no free withdrawal provision at all.

- **After safety, the interest rate paid is always a primary concern for consumers.** While the rate should be competitive, it should never be the primary focus. When an agent or broker has selected a particular company for a variety of reasons, it is important that he or she fully discuss those reasons with the consumer. Otherwise, another agent or broker may sway the consumer with a higher interest rate, but less safety or other desired features.

- **The history of a company is one of the best indicators there is when it comes to performance.** Of course, any company can change its philosophy for better or
worse. Most consumers are likely to want written guarantees rather than projected expectations based on history. Even so, it is a good indicator of future performance.

- **Annuities often carry special provisions or features.** These can range from special surrender options for specific medical problems to frequent withdrawal clauses. It is important that an agent or broker understand any features unique to his or her product.

**REGISTERED RETIREMENT INCOME FUNDS**

One of the options allowed for a maturing RRSP fund is a RRIF. A RRIF is a trust Fund registered with Revenue Canada, with the express purpose is to receive RRSP funds and then provide a retirement income for the beneficiary. RRIFs are arrangements between you and the carrier that may be invested in the same type of investments as RRSP's.

RRIFs allow income to accumulate on a tax-free basis like an RRSP. RRIFs come in a variety of forms, they can be self-administered, Guaranteed Investment Certificates (GIC's), investment funds, and cash among other financial instruments. Revenue Canada allows the same qualified investments for a RRIF as for a RRSP.

Liquidity becomes a very important factor in RRIF situations, more so than for RRSP's because a percentage of the funds are withdrawn each year.

The income provided must be a stated minimum (% of Fund Value), but does not have a minimum withdrawal limit.

**Who Should Consider RRIF's?**

Your clients and prospects should consider a RRIF if they want control over their money and how the funds are invested. They offer an attractive alternative to clients who either does not want to invest their retirement savings in “traditional” annuity products. They may already own an annuity and want to supplement their annuity income with a flexible, inflation-sensitive program.

They may want to achieve some investment growth. Most institutions provide a wide variety of options and competitive returns. You should be prepared to present your
Client’s with a customized plan designed to fit their personal retirement needs. Your clients may want maximum tax deferral. RRIF’s can provide lump sum payout, enabling your clients to change their retirement income from year to year as their need change.

RRIF’s can be collapsed at any time and transferred to an annuity, another RRIF or withdrawn in cash. Finally, if your clients and prospects are concerned about leaving an estate, the RRIF option is the best way to achieve the flow of tax – free money to the named beneficiary.

LIFE INCOME FUNDS (LIF’S)
A LIF is a fund that is registered with Revenue Canada and is subject to the same investment and minimum withdrawal rules as a RRIF. The sole purpose is to provide retirement income. The LIF is an option that can be purchased from a LIRA or Locked-In RRSP.

The growth in a LIF accumulates tax-free and can provide a minimum annual income. Government regulations prevent your clients and prospects from cashing in their locked-in RRSP before retirement. These funds must be used to purchase a life annuity or a LIF. A LIF will provide more flexibility than the life annuity option.

LIF’s are similar to RRIF’s, but they have more restrictions such as:
- Minimum age for withdrawals.
- Minimum and maximum yearly payout.
- You cannot base your withdrawals on your spouse’s age like you can with a RRIF.

LIF’s have hidden advantages because they allow you to defer the purchase of an annuity until a later date when interest rates are more favourable. It is advisable to make sure that you check the legislation on LIF’s to continue to update your knowledge.

INVESTING AT OLDER AGES
Between the ages of 50 and 65, individuals should consider methods of investment that are particularly geared towards safety. At this point in their lives, there is little time to make up investment losses. Bonds and annuities should become very attractive. Although the rate of return may not be dramatic, they do tend to be very competitive. By the age of 50, your dollars should be placed in assets with continual growth, but with the
safety features that preserve your capital investment. The closer you get to retirement the more important it is to consider safety as well as tax ramifications. Between the ages of 50 and 65, the rate of saving also needs to be increased. There is less time to work with, so there is a greater need for increased savings.

**Investment advisers**

Many consumers like to do their own investing in the simple financial vehicles. However, for the consumer to do all of their own investing, they must be willing and able to devote the time needed to research.

Because such research is necessary, many consumers feel they would rather pay the fees and commissions to a broker, insurance agent or broker, or financial planner.

**Certified Financial Planners**

Ten years ago, there were relatively few Certified Financial Planners available to the low or moderate investor. That has begun to change as more insurance agent or brokers realize the value in obtaining added genuine education.

Certified financial planners are trained to some extent in areas of tax and investment planning. Often, they work hand-in-hand with tax and probate specialists in the legal field. Reputable financial planners are more than willing to work with any other qualified person the consumer desires, such as their personal lawyer or CPA. Certified financial planners may work for a flat fee or they may get paid by the commissions they earn. Although certified financial planners and other professionals may be listed in the yellow pages, this is no guarantee of competence. For some consumers, they assume a qualified person should be personally rich (as a trademark of what they are capable of). This, of course, is not necessarily a valid method of selecting professional help.

Unfortunately, even very smart people often do not heed the advice they give to others. This is true of doctors, lawyers, accountants and even certified financial planners. The other aspect is the inability to actually "see" success. People measure success in different ways. The financial planner that appears to live a sparse life style may simply have all of his or her assets put away into long-term investments (preferring to enjoy his wealth in retirement rather than today). The financial planner that drives the fancy sports car and wears thousand dollar suits may actually have invested nothing at all for himself or herself.
Competition is tough everywhere, and that includes investment professionals. The insurance agent, broker or the certified financial planner who is professional in actions and appearance will remain, while the flashy individual is likely to drop off.

The insurance agent or broker who is truly a professional will realize some of his or her own responsibilities early on. The consumer has many choices when it comes to hiring professionals. Unfortunately, this has led to some very bad behaviour within the industry. At the very least, the consumer should be able to expect the professional to be on time for his or her appointments.

Certainly, the consumer should also be able to expect courtesy. In addition, the consumer should be able to expect competence! Promptness also means that the work gets done on time as well as showing up for appointments and other commitments. Courtesy means that the salesperson takes the time to answer questions completely and accurately (besides the simple politeness in attitude that should be expected of every person). Competence means that questions are answered in plain English, so that the answers are understandable.

Beyond that, competence can be much more difficult for the consumer to judge. It often takes time to really determine the abilities of another. When it comes to finances, few people want to find out that incompetence exists after their money has already been mismanaged. Everyone is human and mistakes happen to the best of us, but financial mistakes are rarely forgiven.

**WOMEN’S RETIREMENT PROBLEMS**

Many women will retire alone for several reasons. Men tend to die sooner than women, women are more likely to file for divorce at older ages today, larger numbers of women are choosing to never marry or choosing not to remarry if widowed or divorced. Most retirement planning strategies work equally well for the single person. The main factor that often affects single retirees is a smaller monthly income. This is not hard to understand. When two people earn a pension or plan for retirement, there tends to be more income put to work. When one person earns a pension or plans for retirement there is less income to put to work.
The single woman may be less inclined towards early retirement. Often people, both male and female, who have never married tend to be more involved in their jobs and have fewer outside activities. Therefore, there is more time accrued in pension and retirement funds. It is not unusual for the single person to work far beyond the normal retirement age.

It has often been said that two can live as cheaply as one. While few people actually believe this to be true, neither can one live half as cheaply as two can. In other words, the single person will have many, perhaps most, of the same expenses a couple has. Only food and clothing may actually be half as expensive. In other ways, living may end up more expensive.

For example, if a husband or wife becomes ill, the other party may be able to provide part or all of their care at home. On the other hand, when a single person living alone becomes ill, she may have to hire in someone to help.

During the single person's working years, some financial aspects may be beneficial. There will be little need to take a reduced pension, for example, to protect the spouse. The single people have only themselves to protect.

There were no expenses involved in raising children (unless she is a single parent), so it may have been possible to put aside larger amounts towards retirement. Of course, she will also have had to depend on a single income rather than two incomes.

Women do have some very real economic problems when they retire. Despite all the progress that has been made in the workforce, in general, women continue to earn a lower wage than men. Before pension reform, it was common for her employer-sponsored pension plan to stop accumulating for women earlier than it did for their male counterparts. For women who were married (but arrived at retirement single), she may have only worked intermittently or at part-time jobs. If job changes occurred frequently to accommodate a husband and children's needs, the chances are small that any company pension was accrued at all. If she arrived at retirement single due to a divorce, the single woman may have been granted some financial stability through the divorce settlement, but if she was widowed, she may arrive at retirement's door with very little financial security.
Old Age Security
The great improvements in the material well-being of our citizens economically have been the primary result of rapid industrialization and a changeover from a rural economy to a highly urbanized one. Where families formerly were self-sufficient, growing and gathering their personal needs, they now rely on cash exchanges to maintain their existence.

Furthermore, what we desire today is vastly greater than what we desired fifty years ago. We expect more from life than a full belly and a roof over our heads. Now we expect material enjoyment from life. In such an industrialized economy, the loss of earning power to a family or individual is a major event.

Recognizing this situation, developed countries attempt to give economic stability to their individual members. The term, "old age security," may mean a variety of things, depending upon whom you are speaking with. The term itself is meaningless, unless some information is supplied.

The Old Age Security pension is a taxable monthly social security payment available to most Canadians 65 years of age or older. As of April, 2016, the basic amount is $570.52 per month.

To receive a full OAS pension, a person must meet these conditions:
1. Lived in Canada for at least 40 years after turning 18, or, born on or before July 1, 1952, and between the time the applicant turned 18 and July 1, 1977, the applicant lived in Canada for some period of time.
2. If an individual does not qualify for a full pension, he/she may qualify for a partial pension if he/she meets these conditions: age 65 or older, a Canadian citizen or Permanent resident (Canada) currently living in Canada, who has lived in Canada for the last 10 years.

For low income pensioners who earn little or no other income, the Old Age Security is supplemented by a Guaranteed Income Supplement (GIS), which is considered non-taxable income. The amount of the Guaranteed Income Supplement depends on income, marital status and the age of the spouse in married couples. As of January,
2016, the maximum supplement for a single individual with no other source of income is $773.60, and $512.96 to each spouse of a married couple.

Old Age Security should not be confused with the Canada Pension Plan, which is a contributory, earnings-related pension paid in addition to the OAS to those who have contributed to it.

The Old Age Security program is financed from Government of Canada general tax revenues.

**Canada Pension Plan**

The Canada Pension Plan (CPP) is a contributory, earnings-related social insurance program. It forms one of the two major components of Canada's public retirement income system, the other component being Old Age Security (OAS).

The CPP program mandates all employed Canadians who are 18 years of age and over to contribute a prescribed portion of their earnings income to a nationally administered pension plan.

The CPP is funded on a "steady-state" basis, with its current contribution rate set so that it will remain constant for the next 75 years, by accumulating a reserve fund sufficient to stabilize the asset/expenditure and funding ratios over time. Such a system is a hybrid between a fully funded one and a "pay-as-you-go" plan.

In March 2015 the Canada Pension Plan Investment Board had $264.6 billion in assets under management.

In 2016, the contribution rate is 4.95% of a salaried worker’s gross employment income between $3,500 and $54,900, up to a maximum contribution of $2,544.30. The employer matches the employee contribution. If a worker is self-employed, he/she must pay both halves of the contribution.

When the contributor reaches the normal retirement age of 65 (a reduced pension is available from age 60), the CPP provides regular pension benefit payments to the contributor, calculated as 25% of the average contributory maximum over the entire working life of a contributor (not just the last 5 years). There are provisions that enable
the lower-earnings years in a contributor’s contributory period to be dropped out due to disability, child rearing, or other reasons.

**UTILIZING A WILL OR TRUST**

Every person, male or female, needs to have a will. This is true even if other financial vehicles, such as living trusts, are utilized. Many people feel that they do not own enough assets to make the drafting of a will worthwhile. Experts, however, advise otherwise.

**IF YOU DON'T HAVE A WILL YOUR PROVINCE HAS ONE FOR YOU**

If an individual does not have a will, people often assume that their property will go to the person they feel is "logical" meaning their children or grandchildren or some other particular person. In fact, that is not always the case.

Although each province in Canada has strict rules regarding this, some general avenues most often are followed.

When there is no valid will in existence the survivors are the ones who suffer financial hardships.

<table>
<thead>
<tr>
<th>If you are</th>
<th>And die without a will, your property may possibly go</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unmarried or widowed, no children living, but parents are alive</td>
<td>To your parents, regardless of whether or not they actually need it. Brothers and sisters may get nothing. The person you live with, or are close to will get nothing.</td>
</tr>
<tr>
<td>Unmarried or widowed, no children or parents living</td>
<td>To your brothers and sisters, if you were an only child, to any other relatives that are living. Any friends who were &quot;like a sister or brother&quot; will get nothing. Relatives you did not even like will inherit from you.</td>
</tr>
<tr>
<td>Unmarried or widowed, with children living</td>
<td>To your children (but not to stepchildren or any child that is not legally yours). If the children are minors, the court will appoint a guardian who will determine how the funds are spent in their behalf.</td>
</tr>
<tr>
<td>Unmarried or widowed, no relatives living</td>
<td>To the province</td>
</tr>
<tr>
<td>Married with children</td>
<td>Partly to the surviving spouse, partly to the children (but not step-children). The spouse may get only one third or one</td>
</tr>
</tbody>
</table>
Married without children, parents living

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Married without children, parents living</td>
<td>Partly to the surviving spouse, partly to the parents. The spouse may receive half of your property, but all of the joint or community property. Some provinces give all the property to the spouse, others divide it among the surviving spouse, parents, brothers &amp; sisters.</td>
</tr>
</tbody>
</table>

Depending upon the province, several things could happen, including:

- If you are married with grown children, even though you may have wanted your spouse to receive all of your assets, it is quite possible that he will be forced to share your assets with your grown children. Your husband may receive only one half or one third of your assets. The remainder would go, by provincial statute, to your grown children.

- If you were married with minor children, the children’s half or two-thirds would be put aside for them (in their names). Strict limitations exist regarding how those funds may be spent or invested. Even if your husband is named their legal guardian, he may not be named their financial guardian. Even if he is, he will have to account to the courts for every penny of *their money* that he spends. Certainly this is inconvenient, but more than that, it is humiliating and could inhibit the use of the assets for the family’s general needs and welfare.

- If there are no children from the marriage, money and assets that you intended to go exclusively to your husband might go instead to your parents, brothers and sisters. Since men are supposed to be self-supporting, it is not likely that your parents and siblings will feel any need to turn over the inheritance to him... even if they knew, you intended him to receive it. Of course, there would also be gift taxes if they did do so.

- Money that you might have set aside for your minor children will be given to them when they become of legal age. In many provinces, this is eighteen years old. Your intentions may have been to use the money for college, but since they will have full control of the funds, they may spend the money in any manner they please.

Stepchildren will inherit nothing if there is no will. This is true even if you had intended otherwise.
Should both you and your spouse die (in a car accident, for example), grandparents would take over. It is not unusual for a court fight to develop as sets of grandparents fight over control of the assets and the children. When there is no will, the court will appoint an administrator to handle the estate. The fees that he or she collects may often be greater than what it would have cost to go through probate with a will.

Some people, especially married couples who are childless, seem to feel that there are alternatives to wills. Such things as rights of survivorship, joint ownership and community property agreements have given a false sense of security to thousands of couples. In some provinces, even small personal belongings must be passed through a will or be divided according to the intestacy laws. There is nearly always property that does not pass neatly without a will. Such things as pension plans through the employer, automobiles or other property not set up exactly right may end up proving how important a will actually is.

Both spouses need a will. All too often women believe that they have little property personally. First, every person has personal property to bequeath. It need not be valuable financially to be important personally. That close friend that your female client or prospect spent hours with talking about all your personal feelings, you wanted her to have that special piece of jewellery. Their sister is the only person who will understand why you kept that old doll from childhood. The examples are endless. If these gifts are not mentioned in a will, you cannot be certain where that special piece of jewellery or the old doll will end up. Your husband may simply drop them off at a thrift store or a second wife may give them to her children. All because no one knew your wishes.

It is not unusual for married couples to have a joint will, one document leaving everything to each other or to specified, agreed upon, beneficiaries. Many professionals no longer advise that a joint will be utilized. Joint wills have led to problems involving litigation. It is best to have separate wills even if the content is the same.

Wills are important and should be a part of every adult person's personal papers. At the very least a holographic will should be written, although it is much better to have a will
legally drafted by an lawyer. A **holographic** will is merely a handwritten will (even the date must be handwritten).

Wills do many things besides dispose of property. They cover all the contingencies of life and death. A well-written will can prevent many of the tragic stories we read about.

A will allows a person to exercise the rights given to him or her by law, allows the expression of post-mortem objectives and gives the ability to provide for the welfare of children. For most people, the will is their entire property transfer program. Some people use what is often called a "**private will.**" That is actually referring to some type of a living trust. Caution should be exercised when looking at this type of will.

The underlying point of a will, though not often stated, is the maker's intentions. Through the will, the maker is stating what he or she wishes done. Women often do not make out a will. When great disagreements exist between a husband and wife, it is not unusual for either party to write a will. What they apparently fail to realize is that it is **not** necessary for a husband and wife to agree on everything. The husband may draft his will according to his wishes and the wife may draft hers according to her own desires. If no will exists, the province will step in upon death and use the one they have drafted. Of course, the laws of each province may not come anywhere close to achieving what the deceased would have desired.

When a person, male or female, dies without having drafted a will, we say that he or she died **intestate.** When this occurs, the law of that particular province takes over and directs, according to the laws, how the property will be distributed. Although the laws are designed with fairness in mind, there is little regard for individual circumstances or desires. The laws are impersonal and rarely happen to follow the interests and objectives of the deceased (assuming anyone even knew what those interests and objectives happened to be).

Each province has their own set of laws. The province where domicile was established and where real property was located will determine which state's laws are used. Even though provincial laws do vary, some aspects tend to be constant. Although many people assume that the spouse of the deceased person will automatically inherit everything, this is not necessarily true. Depending upon the province in which the
person lived, the spouse will inherit from one-third to one-half of the estate. In some provinces, the spouse’s share is equal to the children’s share.

Therefore, what he or she gets depends upon how many children they had. If there are three children, he or she gets one-fourth of the estate, if there are two children, he or she gets one-third of the estate and so on.

Most spouses would want their surviving spouse to receive the entire estate, knowing that he or she would certainly care for the minor children. The chief aim is generally the protection of the spouse. Many laws of intestacy run counter to that concept. When part of the estate must be held in trust for minor children, the remaining spouse may find himself or herself in a very difficult financial situation. Even though the remaining parent is the natural guardian, he or she may not be appointed the legal guardian, depending upon the decision of the courts. Therefore, the parent may find themselves dependent upon their children for partial financial support. He or she could be restricted in their ability to use the portion of the estate assigned to the minor children. The smaller the estate, the more difficult this situation is likely to be.

What if the children are no longer minors?
The same situation occurs. Sometimes, when children are grown, the situation is even more serious. If the remaining spouse is the wife, she may not have a means for her own full support. Although it is likely that she always thought she would receive her husband’s entire estate, she may actually find herself in a very different situation if he did not draft a will. We would like to think that her children would turn over their portion of the inheritance to her so that she could be financially independent, but that cannot be relied upon.

What if no children exist, which is becoming increasingly common these days? Can we automatically assume that the surviving spouse will receive everything even if no will exists? Not necessarily. Under the intestate distribution laws of many provinces, the surviving spouse must share the estate with the deceased partner’s parents and siblings. Sometimes, under some provincial laws, even nieces and nephews must be included. Under the intestate distribution laws, children are treated equally. Of course, the provinces could not do otherwise. If both parents die, the children receive the estate
exclusively. Children of a deceased child (in other words, the maker’s grandchildren) inherit the share their parents would have received.

While this may be acceptable in many cases, there is no exception for unusual circumstances. For example, suppose one child is disabled and had depended upon the parents for support? No special thought will be given to these circumstances by the provincial laws.

Those with minor children must certainly draft a will regardless of how small their estate appears to be. Since there are many households headed by women, it is especially important for women to recognize their responsibility. When minor children inherit assets, the use of those assets is restricted until they reach legal age. As a result, it is necessary to assign a guardian to deal with the minor's property. The guardian must generally be bonded, provide periodic accountings and be subject to judicial proceedings for authorization to act on behalf of the children. Even when the mother or father has been granted guardianship of their children, these things must still be done.

It is not unusual for the settlement of an estate to be more expensive when there is no will. A bond may need to be purchased, whose premiums are paid for out of the estate. A bond protects the creditors and the beneficiaries. The administrator is limited in his or her actions by the laws of the jurisdiction in which he or she is appointed. Each proceeding that is needed to authorize the administrator to take action on behalf of the estate has a fee.

The administrator is not able to act freely on behalf of the estate. Of course, this is done as a protection for the estate and its beneficiaries. Even so, the requirements set forth often are detrimental to the estate. Administrators may be restricted to specific percentages or types of investments, for example. Some types of assets must be sold in order to avoid personal liability for the administrator. If there is a business that is part of the estate, dying without a will can especially be damaging. In one case, a partner in an ongoing business died without a will. Because there was no provision for the continuance of the business, the remaining partner (who was not the wife), was forced to liquidate the assets of the business partnership and pay the other partner’s share to the estate. Had the business been allowed to continue, the wife of the deceased could have
counted on approximately $50,000 a year in income. As it turned out, she received much less.

When there is no will, the individual province chooses an administrator according to their particular laws. Although the surviving spouse has the right to apply for the position, there is no certainty that he or she will be granted it. The children, if they are of legal age, also have the right to apply for the appointment of administrator. This is also true of other relatives. It is not unusual for a court to appoint several children or relatives to act as administrators jointly.

Of course, this can easily cause petty rivalries and fighting among them. When this happens, it often means the inefficient and costly administration of the estate. We could continue with many scenarios that come up when no will exists. Ironically, few people would disagree with the need for a well-drafted will. It just seems to be a chore that often does not get done. There are many reasons why this happens, but they all seem like excuses that fall in the same category with why so many people do not plan financially. We do what we feel is important. For some reason, many people just do not attach the importance that is necessary to the drafting of a will.

The number of intestacies is great for men, but it is much greater for women. Unless a woman has acquired her own personal wealth, women in general just do not seem to take making out a will seriously (although they certainly desire their husbands to do so). Although men do tend to die before women, there is no way to know what the future will bring. A woman who has special items that she wants certain people to have needs a will. A single woman needs a will. A woman who is widowed needs a will. A woman who is married needs her own individual will. Every woman of legal age needs a will!

Utilizing a Will
When a will is properly drafted, probate proceedings can be relatively painless. A will is a plan or directive for the distribution of property. Because a will is individualized, it can accomplish many things that benefit those still living.

Among those are:
- The right to choose beneficiaries.
- The right to leave property to minors in whatever method desired.
- The ability to save administration costs.
- In a limited manner, the ability to set down the rules for managing the estate.
- The ability to choose one's own managers.

All of these items are important to the beneficiaries.

**The Private Will, a Living Trust**

Not everyone needs to draft a living trust, but for those whose assets or circumstances warrant it, it is a wonderful financial tool.

Legally, a living trust or private will is called the *inter vivos trust*. It is different from a *testamentary trust*, which makes provisions to establish a trust after the will has gone through probate. A *living trust* is a legal entity to which an individual transfers assets (in part or whole) during their lifetime.

Some people expect more from trusts than they can actually deliver. Salespeople who will gain financially by selling trust concepts promote this. For some, a trust is a more complicated way of disposing of their estates, a will would actually have been simpler and perhaps even less expensive overall. Certainly, trusts have a valued place in financial planning, but a trust that takes all control away from the wife is unfair. Finally, many trusts are set up in an attempt to avoid taxation. Trusts are wonderful financial instruments, but they do not escape taxation.

Twisting an estate into a pretzel in order to avoid taxation is not only pointless, but foolish as well. A trust should only be used for objectives that benefit those who will inherit.

There are many reasons why some people chose to use a living trust, often referred to as a *private will*. Asset management is one of the most commonly stated reasons for utilizing this financial document, but it is not the only reason.

As can be guessed by the term attached to it, living trusts are often used for privacy. A will is a *public document*, whereas a living trust is a *private document*. Only the testator (the person creating the document), the beneficiaries, the drafting lawyer, and a few tax officials (who are prohibited from talking) will be aware of the document's contents.
Although a living trust almost never saves taxes (although they may divert who is taxed and may delay the payment of taxes), it may save probate costs. This does, of course, depend upon the estate and the complexity of the assets contained in it. Many Lawyers report that probate expenses, legal fees and executor fees run between 5 and 10 percent of the gross of an average estate. A well-drafted living trust may save some of those expenses. However, that is seldom the reason one would utilize a trust.

Realize that a trustee, like an executor of a will, is going to have expenses. In addition, a trust may have trustee or co-trustee fees that go on for many, many years, depending upon the terms of the trust. In the end, when everything is added up, trusts generally cost more than wills.

One of the primary reasons for considering the use of a trust revolves around minor children or handicapped individuals. A trust is often a much better instrument for caring for children. The parents can lay down the terms in detail and know that the trust will carry out their wishes over a prolonged period, if necessary or desired. Testamentary trusts are often set up and used to keep inexperienced or impulsive heirs from squandering away their inheritance. With a responsible trustee or co-trustees handling the finances, the inheritance can be held intact until the beneficiaries gain age or experience.

Most people knowledgeable in trusts do not recommend testamentary trusts, but rather, prefer the inter vivos trust because probate proceedings are bypassed by the trust assets. When assets are moved to a trust, the title is then held by the trust. In revocable living trusts, the testator still has full use of those assets, however. He or she may move the assets in or out of the trust as desired. The testator has the power to sell the assets, give them away or use them in any other way desired. The testator may be his or her own trustee or co-trustee (husbands and wives would be co-trustees). The testator may appoint members of their families as trustees or any other person they so choose (although no one is required to accept the position). The revocable trust offers the most flexibility because it is revocable. Revocable means the trust can be revoked. As we stated, the revocable trust does not offer any tax advantages. Nor are there any tax disadvantages. The trust itself does not save estate or income taxes. An estate-tax return must be filed. All income, losses and deductions are still treated the same by the
testator. It is important to understand that a will is still necessary even if a living trust is utilized.

The trust completely avoids probate and the related costs. There are no executor or appraiser's fees. While probate proceedings can run from a few months to several years (depending upon the complexity of the estate and the quality of the will), a living trust is handled, upon the testator's death, within a few days to a couple of weeks.

The testator's death immediately triggers the conversion of specifically named assets from the deceased's ownership to those the trust named as beneficiaries. If the beneficiaries are family members, their lives are not disrupted. Disgruntled family members are unlikely to be able to contest the trust (as they would a public will) because the asset transfer is accomplished quickly and quietly.

Privacy means no probate proceedings. That is, as stated, a definite advantage of the living trust (or private will as it is often called) for many people. It is not by accident that the living trust has been called the **private will**. It accomplishes what a will would accomplish, but quietly and quickly. Salesperson through the publicity of wills target many people. Salespeople are able to know who received what and the values involved. All of this is avoided with a trust (unless the beneficiaries decide to announce their newfound wealth themselves, which does often happen).

After the testator's death, the management of assets can continue without any noticeable difference. This can be very important if a business is involved. The trustee or co-trustees continue to perform the same duties as always. No court or appointed guardians are looking over the trustee's shoulders and demanding time-consuming reports or audits. Only those directly involved with the trust and, of course, Canada Customs and Revenue (TAX DEPARTMENT) know the trust contents.

**Who Should Set Up A Living Trust?**

Only a licensed, experienced lawyer should draft a living trust. Unlike a will, which a person may write himself or herself, a living trust must meet certain legal qualifications in order to be valid and worthwhile. Although it is true that many lawyers are not experienced in drafting trusts, increasingly are getting into the field of finance, which includes trusts. It is more expensive to draft a trust than it is to draft a will. A trust may
be anywhere from twice to four-times more expensive than writing a will. Since each state may have different laws, it is important to deal with an lawyer in your province of residence that has past experience drafting living trusts. Should the province of domicile change, the trust should be re-examined to be certain it would meet that provinces requirement.

Technically, any asset may be placed in a trust, but from a practical standpoint, some assets simply do not belong in one. Few professionals would recommend placing chequing and savings accounts into a trust. Basically, any asset that can name a beneficiary will by-pass probate anyway, so there seems to be little point in putting the asset into a trust. Most professionals do not recommend that a person place their personal home into a trust. If the home is in the trust, even simple property transactions can become complicated and expensive, especially if provisions were not written into the trust concerning the home.

A home can easily be handled by placing it in joint ownership with right of survivorship. In that way, when either spouse dies, the other would automatically receive full ownership. It is possible to have multiple trusts. Not many people actually do so, however. When multiple trusts are used, it is usually to set up an individual trust for each individual beneficiary. When a trust is utilized, great thought must be given to the naming of trustees. Most professionals state that more than one trustee should be named and more than one trustee should serve simultaneously (co-trustees).

The trustee is responsible for prudently managing the financial assets of the trust. While the trust can give very strict guidelines for the trustee, it is generally best to allow wide latitude so that the trustee can adequately respond to changing conditions that the testator might not have foreseen. Because the trustee or co-trustees will be dealing with your money and financial assets, selection of trustees is vitally important. Certainly, you must feel that the trustees are trustworthy. Beyond that, they must also be competent to handle the assets. Of course, the danger in naming relatives or friends is that they may not be educated enough in handling financial matters. On the other hand, they may be the most interested in doing what is right morally. As a result, many people name co-trustees utilizing a bank, lawyer or CPA for the financial expertise and a relative or close friend for the moral expertise. The theory is that each one will keep the other in check. Bank trust departments are often used as trustees. As with everything, there are both
advantages and disadvantages. Banks can sometimes be slow, impersonal and inflexible. If the trust is relatively small, the fees charged can eventually overpower the trust funds, serving the bank better financially than it does the beneficiaries. When a bank is selected, it might be wise to include provisions within the trust allowing the beneficiaries to remove the bank, with cause, if the income provided is overshadowed by the fees the bank is charging.

There are also advantages to utilizing a bank's trust department, including:

- Trust officers can be changed if the family does not get along with the one the bank has assigned.
- The bank will continue to conduct business in the same area whereas an individual may move from city to city.
- Bank trust officers devote their full time to money management. In many cases, the banks pay for professional investment research.
- Should embezzlement occur, the bank will cover the loss. Federal and provincial banking authorities conduct periodic audits of bank trust accounts, individuals seldom have anyone in authority over them, unless a prudent testator has made such arrangements in the trust document.

A bank has the ability to keep capable people handling the trust accounts. If a trust officer becomes ill or unable to adequately handle the document, there is always another person available to step in. With an individual, that is not possible.

If the relative or close friend becomes senile, for example, there may be little that the beneficiaries can do to correct the situation.

At one time, many individuals selected their lawyers to act as trustees. If the lawyer was the sole trustee, the beneficiaries could do little if they were unhappy with the lawyer's performance. Most professionals, including lawyers, now recommend that a family member or friend act as co-trustee. In addition, if an lawyer is desired to act as trustee, it is best to have it be someone other than the lawyer who drafted the living trust.

**Who Should Get What? A Difficult Decision**

Legally, you can give whatever you want to whomever you want, but there are some common-sense approaches that should be taken.
Pets
When pets are made wealthy through a will or trust, it is often difficult to predict the care they will receive. Courts are generally not sympathetic to animals that have inherited fortunes. Often it is necessary to name a human beneficiary and tie the animal’s care into receiving the funds. Then the testator can only hope for the best. While no one can say what is the best course of action, most experts agree that it is necessary to find someone who places a high priority on the pet to act as caregivers. Often this close relative or friend understood what the pet meant to the testator. The pet is most likely to receive good care from someone who loves it than from someone who merely wished to receive the money the pet inherited.

Holding Property Jointly
When a couple is married, jointly held property poses few problems, but the same cannot be said for unmarried couples. It is becoming increasingly common for people of all ages to live together outside of marriage. For retired individuals, it is usually a financial decision, since many women would lose income from their deceased husbands if they remarried. Lifestyles have also changed and marriage is not deemed as important as it once was.

Unmarried people who hold property jointly do allow it to pass automatically to the other owner at death, without having to wait for the will to be probated. Joint ownership is often a sign of good faith in each other. It is certainly convenient and is often used by relatives (a mother and daughter, for instance). The disadvantages cannot be overlooked, however.

Disadvantages of having joint property
- If real estate is put into joint ownership and one owner does not pay his or her full share, it can trigger a gift tax liability for the other.
- Taxes may also be triggered should the non-contributing owner withdraw funds from the bank account or when jointly held investments are sold.
- Either owner can withdraw funds from a joint bank account, whether that happens to be a mother and a daughter who has the account or two adults living together as partners. If one of the two people turns out to be dishonest, this could mean that the other party will lose money that cannot be recovered.
• Two signatures will be needed to sell an investment or other jointly held property. If one of the two is ill, has left town (and the relationship) or does not agree to the sale, this might prove quite difficult. In other words, jointly held property takes away personal control of assets.

• All joint property will be taxed in the estate of the first joint owner to die, except for the part that the other owner paid for. The owner must be able to prove payment.

Any time joint ownership is being considered, it is wise to consult an lawyer with experience in this area. If you are considering removing property from joint ownership, an lawyer specializing in tax matters should be consulted. Changing the ownership can sometimes trigger gift taxes and other unwanted results.

Community Property
Under the Family Law Reform Act, both parties equally own property acquired during marriage. It makes no difference whose name is actually on the property or asset, if it was acquired during marriage husband and wife equally own it.

Some property is not included. Property, which was owned before marriage is not, considered community property. Neither is property received by gift or inheritance. When a divorce occurs, it is very important to let the lawyer know of any assets acquired. In case of divorce, if the asset is listed in the husband’s name, the lawyer will need this information to be sure that you receive your half of the value.

ESPECIALLY FOR SINGLE WOMEN
Single women really must consider their futures to a greater degree than others. Since women traditionally earn less, it is likely that retirement will bring less as well if sound decisions are not made early. It does not matter whether the single woman never married, was widowed or divorced. Her future is in her own hands.

The first step is always a will. Even if your clients do not think you have many assets, this is important. Especially if they have someone they care about, they should not neglect making out a will. Even more than married couples, they are likely to have close relationships with friends, protégés, young relatives or charitable organizations. All of these would be left out if they died without a will.
If your client or prospect lives with someone that they do not intend to marry, the partner will get nothing if they have no will. This is true even if he or she helped pay for the asset, but has no proof of their contribution.

Never use this or any book or seminar as a do-it-yourself guide to estate planning. Seek out professionals in tax fields and investment fields. Certainly, seek out legal advice from lawyers who have experience and training behind them. It is important to realize that the provinces are constantly changing their laws and statutes. Federal laws also continually change. As a result, it is impossible to know that any printed material is still up to date.

SELECTING LIFE & HEALTH INSURANCE
One of the first professionals that young women typically deal with is an insurance agent or broker. Usually her first contact will be with the agent or broker that secures automobile insurance for her, or the one who has been looking after her family for years. Perhaps she will purchase Renters Insurance as well. Eventually, she will probably be considering health insurance as well as life insurance.

As we know, insurance comes in all shapes and sizes. A person can insure practically anything. When a person is starting out, there is probably not many dollars available for insurance premiums. As time goes by and earning power is increased, insurance needs are recognized and it becomes more important to the individual. It is not unusual for a property and casualty agent or broker to also offer limited policies for health and life, but life agent or brokers seldom also handle casualty fields. Professionals generally feel that a consumer needs to have two separate insurance agent or brokers. Even though a casualty agent or broker may be licensed to sell life and health products, they seldom have enough products available to them or enough experience. Each field is specialized. As time goes by and more legislation is enacted, it will become even more difficult to be efficient in all lines.

Many insurance agent or brokers have acquired experience and training in financial planning. They may offer mutual funds and public limited partnerships as well as insurance products. Since insurance products are an ever-changing field, most experts
recommend that a policy be reviewed every three years. Unfortunately, few agent or brokers and brokers tend to keep up on reviews. In fact, some may even feel that it is a waste of valuable time. Actually, three-year reviews can maintain a client base and benefit the consumer. Yearly visits with the client may be profitable in many ways, rather than waiting three years to make contact.

If you are also a financial planner, be sure that you have completed the necessary training to do the job desired. Simply proclaiming oneself a “financial planner” is risky in today’s lawsuit-prone society. Properly schooled financial planners have gained importance in recent years. They are recognized professionals in every sense of the word. In order to arrive at a financial destination tomorrow, it is certainly necessary to know where one is today. Financial planners do just that.

One could say that financial planners "map out" our financial destination. The best financial planners will have professional relationships with bankers, accountants and lawyers. Many financial planners do not actually sell any products, so they also have a professional relationship with other insurance brokers. The financial planner's job is to present the consumer with a comprehensive view of present and future financial status and possibilities.

Many institutions, such as banks, insurance agencies and accounting firms, offer some basic financial planning, but it is often quite limited. Sometimes it is simply geared towards sales. The true financial planner is seldom seen knocking on a door with a lead card in hand. Generally, he or she works with a network of other professionals and is well recognized within the community.

That is not to say that he or she did not start out knocking on doors following lead cards. Financial planning is often a journey that began with simply selling insurance products, but ended up as a fee for service business, which refers clients to others when an actual purchase is desired.

Actual fees vary widely. A consumer should always know up front how fees are to be paid. The majority of planners are paid a fee for the consultations. If they sell products, they would also receive a commission from the company whose product they sold. Some planners may charge only a consultation fee because they do not sell products. A
planner may also be paid by the commissions on products sold because they do not charge consultation fees.

**Financial planning should never be about the products sold**

Financial planning is the act of mapping out a financial plan that will achieve future goals, whether that happens to be college for the children or retirement lifestyles. Besides automobile and rental insurance, the first insurance products considered are often life and disability insurance. Many women do not consider disability insurance. In fact, even men with families often overlook its value.

What we fail to realize is that we are much more likely to become disabled than we are to prematurely die.

**DISABILITY INSURANCE**

Disability insurance coverage is vitally important, but few consumers seem to recognize the necessity. Such coverage is especially important if the family is dependent upon a single wage earner, such as a single mother. Individuals actually have more sources of income during times when they are unable to work than they may realize. Such things as sick leave, workers' compensation benefits and even other Government benefits may be able to help. Sick leave offered by an employer may be the first source of income when illness or injury strikes. However, sick pay is seldom long-term.

Workmen's Compensation (Administered by the provincial Workplace Safety and Insurance Board (WSIB) is better known as a source of income if an injury occurs on the job. Most professionals' feel the best protection against disability income loss comes from privately obtained insurance policies. The rates will vary from company to company. Rates for women are typically 50 to 60 percent higher than those for men because, historically, women have recorded a higher number of claims.

**Types of Disability Policies**

Disability insurance is primarily used to replace lost earnings when it is not possible to work due to illness or injury. Generally, the sooner the payments begin, the more expensive the policy will be. Just like other insurance, the larger the deductible (time not covered), the lower the premiums will be. Many professionals state that a 90-day
The deductible period is reasonable. Of course, we also recommend that every person have three months living costs in an accessible savings account. Policy costs will also vary according to how long the policy will pay benefits. The more extended the coverage, the more expensive the policy. Policies may be purchased that pay benefits from six months all the way up to the age of 65.

When a person is unable to work due to illness or injury, not only does the income stop, but other costs increase as well. If there were no health insurance in place, this would especially be true. Even if there is health insurance, costs will likely come up that would not otherwise be there. For example, prescription costs may become quite high. As a result, it is recommended that there be additional savings set aside even when disability insurance is carried.

**How Much Disability Protection Is Needed?**

Deciding how much disability insurance to purchase is not always an easy task. What we would like to have may have to be balanced against the premiums we can afford. If you purchase disability insurance directly and pay for the premiums with your after-tax income dollars, any benefit that you receive when disabled will be non-taxable. If, however, your employer paid the premiums, then any benefits received when you are disabled will be considered taxable and reportable income. Whether or not the proceeds will be taxable, then, must be part of your decision when considering how much disability protection to buy. If the benefits will be non-taxable, you may only need 60 to 70 percent of your income (after taxes). If the benefits will be taxed, you will need to purchase more protection to offset what you will have to pay in taxes. Also, consider any other income that you could rely upon. If you have trust funds available, for example, they may be able to offset your loss of income. Other things to consider include any income you might receive from Workmen’s Compensation, benefits that would be provided by your employer and any CPP benefits if applicable.

Deciding how long a benefit to purchase will probably be decided by the cost of the premiums. Be prepared, as an insurance agent or broker or broker to give quotes for different lengths of time. It is best to represent more than one company since rates will vary from company to company. Such things as occupation have a bearing on rates, as well. Some occupations are considered more dangerous (resulting in higher claims) than others.
LIFE INSURANCE
There are always those who claim that life insurance is not necessary. Repeatedly professionals in all areas dispute that notion, but still it pops up. Those who claim that life insurance robs the consumer seldom have any real facts to back up these claims, but that does not stop them from “advising” others anyway. Of course we have no way of knowing that premature death will strike, but neither do we know that it will not! One thing is true: we spend large sums on life insurance and often know very little about what we are purchasing. Any salesperson is an “advisor” to the extent that he or she probably knows more about the product than the consumer does.

Most consumers do not possess enough knowledge about insurance to know whether or not the selling agent or broker is advising correctly for their situation or merely selling what gives the best commission. It is this fact that has brought about much of the legislation that ends up hurting not only the greedy agent or broker, but the ethical agent or broker as well. While all types of life insurance products fit somewhere, each type does not fit everywhere. Only a fool would recommend the same product (whether that is term, whole or universal life) for every consumer. Yet, there are people who do. This text recommends life insurance, but we do not attempt to state which product will best fit. Each situation is different. Each situation needs to be looked at individually.

Who Needs Life Insurance?
The need for life insurance is simple to state: if others depend upon you for financial support, life insurance is essential. Life insurance does, in effect, insure your client’s dependents against their premature death. In the process, life insurance may also give other benefits, but the protection of person’s dependents is the first goal.

Few people have enough accumulated assets to replace the need for life insurance. Life insurance is a way of guaranteeing your dependents the financial means to continue their style of living, even if the major breadwinner has died. In this respect, the term “life insurance” should be replaced by the term “death insurance.” It does, after all, protect not against living, but rather against dying prematurely.
Life insurance covers the shortage between the assets that are already accumulated and the amount of assets that would be needed if the major earner were taken out of the financial picture. It should be noted that the major wage earner need not be dead. In the case of divorce, many children are protected through the courts by requiring that the father continue to carry life insurance on himself for the benefit of his children.

When the head of household has minor children, few financial vehicles work as well as life insurance does. For a relatively low premium (depending upon the type of insurance product selected), the children can be assured that their life will be funded even if the principle breadwinner dies.

Following death, life insurance proceeds are usually the primary source of cash. In many cases, life insurance proceeds have been the ONLY source of cash received. It would be hard to tell the young widow with minor children that their life insurance premiums had robbed them. She would know otherwise!

Life insurance is appropriate in many circumstances, with protection against premature death being only one of them (although certainly the main one). In the last few decades, our life spans have increased dramatically. Longer life span means a longer need for cash incomes (well into retirement). The mortality tables that insurance premiums are based on are constantly updated to meet these changes. When mortality tables that life insurance companies use are modified to reflect longer life spans, the costs of the insurance premiums are generally reduced. Therefore, it makes sense to shop the various companies for the most appropriate premium rates. Sometimes vast differences in premium rates reflect the use, by some insurance companies, of outdated mortality tables.

Some employers do offer or provide life insurance for their employees. Even if this is true, it often makes sense to still carry your own policy. Some industries experience constant job movement (from company to company or even within the same structure) that would affect the continuance of the life insurance policy. In addition, many policies offered by the job are simply inadequate to cover the needs of a family. When you carry your own policy, it will not be affected by job changes, life style changes or unforeseen circumstances that might enter into your life.
When a woman is selecting a life insurance policy, the agent or broker often does not seem willing to apply the same formula to her life that he or she would to a man's life. Of course, there may be some differences, but there are also many similarities. Research shows that many agent or brokers routinely undersell to women. That is, they sell larger policies to men and smaller policies to women. If a woman is the head-of-the-household, she probably needs as much life insurance as a male head-of-household would need in the same circumstances.

**Several areas to consider when recommending Insurance to a woman**

- If the woman were currently married, would her death leave her husband with bills that should be paid off? Many households would want their home paid off if either spouse died (versus only if the husband died). There is a good chance that the family depends on her income as much as it does on his. Therefore, the wife’s death would be just as difficult financially as would the husband's.

- How long would it take the family to be able to function as well financially as it was before the woman died? In other words, could the widower (husband) maintain their lifestyle without his wife’s income or would he have to seek additional income from some other source, such as a second job? Would a life insurance policy prevent the need for taking on a second job? If so, how much would be needed to cover what period?

- Would the children’s college educations be possible if the wife (or woman, if she is the head-of-household) died? Is her income required in order for the children to attend college? If so, how much insurance proceeds would be required to fill this need?

- How would funeral and estate costs be paid? Many families can handle the cost of the funeral, but are unprepared for the costs of the estate settlement. This might especially be true in those states with high estate taxation. Life insurance is commonly used to cover these costs. In some estate planning scenarios, it is the sole reason that a life insurance policy is purchased.

Even though the family may do quite well within a few years’ time, it is still always best to allow for too much rather than not enough.
How Much Life Insurance Do They Need?

There are many different methods for determining how much life insurance should be purchased. Depending upon whose advice you seek, you may be told to purchase the amount you earn in one year to five years. Some authorities recommend that you purchase a percentage of your income for ten to twenty years accumulation. Still others recommend that you add up specific bills (such as your home mortgage plus college educations for your children) and purchase that amount. Since families are different, your needs may differ also.

One of the most popular methods does deal directly with lost income due to premature death multiplied by the number of years left before the children are either 18 or 21 (depending upon college goals).

Therefore, if the child will be 21 in 10 years, you would multiple $60,000 (or whatever your yearly income happens to be) by 10 years for a resulting figure of $600,000. The $600,000 is the amount of life insurance that you would purchase. It should be noted that this does not account for inflation. It would be the job of the surviving spouse to invest the life insurance proceeds to offset the rate of inflation.

For the person who desires an in-depth and comprehensive determination of their life insurance needs, some questions might be considered:

- What standard of living is desired?
- Which debts would you want paid off if you were to die (such as a home mortgage)?
- What other cash commitments do you want to make (such as a cash gift to a good friend or relative)?
- What educational goals would you like to see completed (such as college educations for your minor children)?
- If married, what are the earning capabilities of your spouse?
- Do you have any assets that produce income? If so, will they continue to produce similar income for a long period?
- What Canada Pension benefits would your spouse (if applicable) and your children receive? If nearing retirement, would your spouse have access to early CPP/QPP benefits?
• Is your spouse, if applicable, able to invest or is he unwilling or unable to apply
assets in this area (perhaps he does not have the personality required to do so)?
• How much do you want to add to cover losses due to inflation? Make adjustments
based on what you think the rate of inflation might be. This is a judgment call, but an
especially important aspect to consider, especially if your spouse does not have
investment risk tolerance.
• What deductible debts are in the estate?
• What non-deductible debts are in the estate?
• What will the cost be to conduct your funeral? You should handle as many of these
arrangements as you can while you are still alive (especially if you are older).
• What legal and administrative expenses will result from your death?
• What are your estimated estate taxes? Are there assets already in existence to
cover them?

The amount that comes up may not fit the budget you have. In other words, if your
figures show that you will need $500,000 in life insurance, but your budget will only pay
for $250,000 then purchase what you can afford. Some is better than nothing.
Regarding insurance funds, there are a number of individuals who watch for notices of
death in local newspapers. Although this note of caution is generally stated with
inexperienced women in mind, we feel it applies equally to inexperienced men. Many
widows and widowers are approached to "invest" their insurance proceeds in a wide
array of so-called "opportunities." When emotions are still on the surface, as so often
happens when a partner dies, mistakes are easily made because sound judgment has
not yet taken control. Individuals who prey on those who have experienced a loss due to
premature death know this and take advantage of it. Therefore, we highly recommend
that insurance proceeds simply be placed in something as simple as money market
funds initially.

Avoid anything long term until emotions are settled. Avoid anything unfamiliar
completely. Avoid all salespeople that have not been previously dealt with.
Once the need for life insurance has been established, the next step is deciding which
type is best for the individual's personal circumstances.
What Kind Of Life Insurance Should You Recommend?

There are various names given to life insurance policies. Some are simply insurance company names rather than industry listings. There are four major names given to life insurance policies, which are sold in Canada.

They are:

1. Term
2. Ordinary or traditional whole life
3. Limited payment life
4. Universal life

The insurance company when referring to one of the four types may apply other names. Each of these types can be participating or nonparticipation.

There are some types of policies, which combine two or more of these four forms. Premium rates are based on the likelihood of death, so the actual cost of insurance goes up each year as the policyholder ages. That is not to say that the actual premium cost goes up each year, but the danger of death does. Some policies are structured so that the premium cost stays the same.

1. Term Insurance

Term insurance is pure insurance, without, in most cases, any cash value accumulation. There are three basic kinds of term insurance: annual renewable, decreasing, and level term. Some policies combine more than one type of term insurance into the policy. Term insurance actually does come with dividends in some cases, but generally consumers think of term insurance as not having any cash return. The word *dividend* is actually a misnomer, since it implies an *earned* return. Actually, a *dividend* is nothing more than a return of part of the premium that was paid to the insurance company. For this reason, insurance dividends in Canada are deemed taxable.

As we said, term insurance is pure insurance. It provides a death benefit only. Unlike straight-life insurance, there is no savings element in the policy and, therefore, no money is received in life (except for the possibility of a dividend). Term insurance is generally the type that is purchased to insure a mortgage or a car. Term insurance has only one
purpose: to provide funds in the event of a disaster (whether that be the death of a breadwinner or the destruction of a home).

Term insurance is generally the cheapest form of insurance coverage. Due to this fact, it allows a relatively young person to insure their lives for very large amounts. Term insurance rates increase, in most policies, every year at a rate guaranteed in advance. Some policies increase in price every five years. Since the cost starts out so low, advancing age is not a serious problem initially. Past age 45, the cost of term insurance becomes more dramatic. By age 50 or 55, term insurance is often not a realistic option because the cost has become quite high. Although there are some exceptions (aren't there always!), most term policies are not renewable after the age of 70 or 75.

For many years, we have heard that consumers should buy term insurance and invest the difference (that they would have paid for cash value insurance). The concept of this is sound, but unfortunately, few people actually carry through.

In other words, relatively few people actually do invest from a young age on a regular basis. Since everyone has their good and bad points, it does not seem that "buy term and invest the difference" is good advice for all people. Rather, savings habits should be reviewed by the agent or broker and insurance programs set in place that reflect the best course of success.

However, a young family with a limited budget should buy term insurance rather than cash-value policies. The premium cost of term at young ages is very low. If a young family buys a cash-value policy, they may not be able to maintain the premiums, which will cause the policy to lapse. A term policy, on the other hand, is low cost and the family will probably continue making the payments. Many insurance agent or brokers offer a combination policy that carries a portion of term insurance and a portion of cash-value insurance. If it offers enough death protection and the premiums are affordable, this type of plan is often effective. The key, however, is the level of death protection. It is unfair to the surviving spouse and children to provide a death benefit that is too low to cover their needs.
Annual Renewable Term (ART)
Annual Renewable Term is a term policy that is renewable each year. The face amount of the insurance remains the same and the rate per thousand of protection increases each year.

When selecting a term policy, it is important to view the rates for a ten-year period. Some companies low ball rates initially to entice new policyholders in. After a few years, the rates then dramatically increase making the ten-year total higher than other comparable policies.

Decreasing Term
This type of term insurance is a popular choice for covering home mortgages. In decreasing term policies, the premium remains the same each year, but the amount of coverage decreases. Decreasing Term is often called Mortgage Insurance. It must be noted that eventually no insurance would exist as the face value continues to decrease.

Level Term Insurance
This means that the coverage remains the same or "level" for a specified period of time. The term level applies equally to the death benefit and to the premium payment. With level term insurance, both the premium rates and the amount of protection remain the same year after year or for a specified period. The most common level term time is for five years. Term policies for ten or fifteen years or more are, of course, more expensive than term policies for shorter periods.

Whether the term is for one year or twenty years, it is important that it be renewable. This means that every time the term runs out, the policy can be renewed without having to pass another physical exam (called evidence of insurability). By having this option, should one's health deteriorate, coverage is still available. For the single woman who is responsible for children, this point is very important. It is not unusual for the renewability to end at age 65, although many go to the age of 70 or 75.

Most experts also tell us to look for a term policy that is guaranteed convertible. This means that the term life insurance policy may be converted to another form of insurance that provides a cash return. A good term policy should be 100 percent convertible into a straight-life form without another physical examination to prove evidence of insurability.
In addition, rates should be guaranteed standard no matter what has happened to the insured's health. A company that limits the amount of insurance that can be converted should be avoided. Since the agent or broker has no way of knowing what the consumer will desire, he or she is in the best position when only companies that allow full conversion are used.

2. Ordinary or Traditional Whole Life Insurance
This may also be called *Straight-Life insurance*. Straight-life policies have two things combined into one policy: life insurance coverage and cash accumulation. Each premium paid funds both aspects.

Ordinary or traditional whole life insurance policies have a *face value*, which is the amount of insurance coverage contained in the policy. The face value is the amount that would be paid to the beneficiary should the insured die prematurely. The premium rate is based on the insured's age and health.

The first few years of a straight-life policy primarily funds the insurance rather than the cash accumulation. Only in later years does the cash fund begin to build up. If the insured cancels the policy, any cash accumulation will be returned to the policyholder. If the insurance is left in force, the cash accumulation may be borrowed by the policyholder or used for collateral.

What many consumers, and even insurance agent or brokers, may not realize is that the cash accumulation actually does not belong to them. The cash value, or cash surrender value, in most policies belongs to the insurance company. That is why it may only be obtained by either borrowing it (from the insurance company, who actually owns it) or by cancelling out the policy (which also eliminates the death benefits).

Policies containing cash values are sometimes referred to as "permanent" insurance, but this is not a correct term. Webster defines "permanent" as something "not subject to alteration, lasting, fixed, constant." That does not apply to whole life insurances. In this type of policy, the insurance portion or net amount at risk is decreasing (disappearing) each year. Therefore, it cannot be called permanent.

Straight-life insurance is definitely more expensive than term insurance, which is why young, struggling families are better off buying term. Because part of the premium
payment must go to the savings portion, there is less available to fund the life insurance. The amount of money paid for insurance is called the **premium**. Every company prices their policies differently, and agent or brokers should compare companies for the best buy for their clients. Ordinary or traditional whole life premiums remain level throughout the life of the policy. Premiums do initially seem high, but as time goes by, the rates do not rise (whereas term insurance rates continue to rise). No matter what type of insurance is purchased, premium costs always rise as a person ages. When a level premium exists, it simply means that extra or higher premium was paid in the beginning of the policy to balance out costs towards the end of the policy.

In cash value policies, when death occurs only the **face value** are paid. Therefore, if a large **cash value** has accrued, it does not go to the beneficiaries but, rather, becomes part of the face value payment. That means that if the insured dies early in the life of the policy, the insurance company is primarily paying the face value.

In the later stages of the policy, if there are large cash reserves, the policy itself is paying a portion of the death benefit. With this being the case, the older the policy the less liability there is for the insurance company. Many industry experts feel that, as a result, as time goes by the consumer is paying the same premium for less and less insurance because the cash value that accrued (which was paid in by the insured) is actually covering the bulk of the return.

Let us look at this from another view. Conceptually, it could be said that whole life insurance is the same as decreasing term insurance with one difference: it has an attached savings account. As time goes by, the saving account is actually providing a portion of the insurance benefits for the insured rather than the insurance company. There are multiple views regarding life insurance and the type that should be purchased. As we said in the beginning, it just is not possible to lump every person and every situation together. Estate and tax specialists nearly always recommend insurance products for their clients, so clearly life insurance is a benefit overall.

Is it worthwhile to buy cash-value policies? Often the answer is "yes. “ Although the interest return may be low, cash-value policies are often favourable for those with high incomes, especially if they are in a bracket of 40 percent or higher. With insurance
policies, the cash value that accumulates is not taxed, as it would be if it were elsewhere. The annual interest buildup is tax-deferred.

If the insured does cash in the policy at some point, it is possible that part of the proceeds will be taxed, but not necessarily. An individual is allowed to subtract the premiums paid from the cash values in most cases. As a result, it is possible that the insurance premiums, in effect, are returned to the insured making the insurance protection received free. Since no one really expects to die early, many people purposefully buy large cash-accumulating policies expecting to cash them out at some time in their lives (at retirement age for example). Certainly, no one should look at life insurance purely from this standpoint, but for some it is a consideration.

When someone dies, no one will ask, "How much was the cash value in his life insurance policy?" What might be asked (if they don't know better) is "What was his death benefit?" It should always be remembered that life insurance is primarily for insuring premature death, not insuring life (annuities do that).

Why are cash-value policies so popular? Primarily because people buy what is presented to them and agent or brokers tend to sell the products that give them the best living. It would be unfair, however, to say that agent or brokers sell cash-value policies because of the commissions they make. Overall, agent or brokers do want to build a clientele and the only way to do that long-term is to do their jobs well.

We do know that there are better ways to accumulate money than by buying life insurance policies. That is, of course, assuming that a person is dedicated enough to put money away and leave it there for retirement or whatever the goal happens to be. When "savings" is a bill that must be paid, it is more likely to continue. A life insurance policy that accumulates cash is often sold as a "forced-savings account." If no other method exists that does force one to put money aside, life insurance policies may be the only method that will be carried out. Certainly, there are other ways that do force a person to save: payroll deductions are excellent and can be put into an RRSP, company stock that is a payroll deduction is another method. Some people simply open a Christmas account and have the bank move a set amount of money into it each month. This same concept may be applied to other savings accounts. Many consumers,
however, are all too aware that the cash is available. When that so-called "special" purchase comes up, the money comes out. Rather than entirely blaming the insurance agent or broker or even the consumer, one other point must be made. Saving money is not only a matter of dedication, it is also a matter of timing. When children are small and earning power is low, there simply may not be any extra cash available to set aside. As children grow older and incomes rise it is easier to save. Multiple studies show that retirement savings typically begin at age 40. Certainly, it would be wonderful if it could start earlier. There would certainly be more money available if that were done. However, starting insurance policy after insurance policy with each one failing (because it is cancelled or allowed to lapse) will never is the answer either.

As we stated, normally a cash value policy does not give the cash accumulation to the beneficiary, but rather it becomes part of the face value payment. It is possible, however, to arrange a life insurance policy so that the beneficiary receives both the face value and the cash value. It is called a return-of-cash-value benefit. It is simply a term insurance policy that increases over the years at about the same rate that cash value builds up.

Sometimes it is cast as a return-of-premium benefit, which implies falsely that the premiums are returned to the insured. In fact, just extra insurance is bought at regular prices. Normally these policies last for twenty years. If the insured lives longer than the twenty years, no additional payment will accrue. It must be noted that this money is not available to the insured, only to the beneficiaries when the insured dies.

Cash-value policies do allow the policyholder to borrow against the cash value in the policy. How much is available to borrow will depend, of course, on how old the policy is and how much cash has built up. Repayment may be done as quickly or as slowly as the policyholder desires. In fact, the policyholder does not have to pay the loan back at all. The insurance company will not send the policyowner a bill and will never request repayment of the loan.

It should always be pointed out to the consumer (by the selling agent or broker) that borrowing from a life insurance policy without repayment increases the actual cost of buying insurance (by the amount of interest charged on the loan). If the policyholder
does not plan to repay the loan, he or she might be wiser to simply close out the policy, take the cash value and then purchase a term policy. If the cash value policy, is 10 or 15 years old, however, closing the policy may not be the best course of action. Rather, they may be better off to make an effort to repay the loan or to switch to extended term coverage. Many cash-value policies have automatic premium loans in the policy. This would only occur under specified circumstances. Usually, an automatic policy loan is taken to pay the premium in the event that the policyholder neglects to do so. Many consumers request this option in their policy to insure that it does not lapse due to nonpayment. With most companies, automatic premium loans can continue as long as the cash value will cover the premium costs plus unpaid loan interest. Some companies, however, do have a limit of two or three automatic premium loans. Once cash values are used up, the insurance policy will terminate unless the policyholder resumes premium payments. Again, it must be pointed out that automatic premium loans will raise the cost of the insurance by the amount of interest that is charged on the policy loans.

3. Limited Payment Life

Limited Payment Life is a cash value policy. The policyholder pays premiums for a limited period of time (thus the name). The coverage is for the insured's lifetime, but payments are only for a specified period, usually twenty or thirty years. Generally, the premiums are higher and the death benefits lower than other types of insurance because the policyholder is, in effect, paying early for the cost of future premiums. Most professionals do not recommend this type of policy because it costs more in youth (when earnings are lower) only to be paid off in later years (when earnings are higher).

4. Universal Life Policies

Universal Life is a generic name generated by insurance companies. The true name is Flexible Premium Adjustable Life. In recent years, it has become one of the more commonly sold products. It is a flexible product in many ways. The "flexible premium" indicates that the policyowner may, within limits, vary the premium deposits made up or down, as needed. If there is enough value accumulated in the policy, premium payments may even be skipped without losing the coverage. The "adjustable life" indicates that the death benefit may be increased or decreased as needed or desired by
the policyholder. It should be noted, however, that in order to increase the death benefits, the insured might have to prove evidence of insurability, which meets the insurance company’s underwriting standards. Any decrease in death benefits would also be subject to certain restrictions. Otherwise, the contract could be disqualified as life insurance by not maintaining the required net amounts at risk.

**Universal Life policies actually offer two death benefit options:**

1. **Option A:** provides a **level** death benefit. This is the result of an increasing cash value and a decreasing net amount at risk.

2. **Option B:** provides an **increasing** death benefit. This is the result of combining a level net amount of risk and the accumulated cash value as the total death benefit.

The policyholder may borrow against the cash value of the policy. In addition, the policyholder may withdraw cash values that would **not** constitute a loan and, therefore, does not incur any interest charges. Tax treatment is contingent upon the age of the policy at the time this is done. This policy flexibility is often called **unbundling**, which means that the policy is broken down into three parts: the protection element, the savings element and the expense element.

The actual operation of a universal life can be confusing to the consumer. When she makes her premium payment, a portion of it goes into a savings fund, which produces interest earnings used to pay the premium costs. In a manner of speaking, the policy puts together term insurance and a tax-sheltered annuity with variable interest rates (rather than a fixed rate which most annuities earn). It must be noted that universal life policies have a great deal of variation. Therefore, rates and death protection can vary greatly, too.

**EMPLOYEE LIFE INSURANCE**

The actual type of insurance offered through employment may vary. As we stated, if coverage is available through one’s employer, the employee should probably take advantage of it. Many companies and unions do offer life insurance coverage. Usually such policies are **term insurance**, which means that they do **not** acquire any cash value. Sometimes the employer pays the full cost, but often the cost is split, with the employer
paying half and the employee paying half. Often the employer pays a "base" amount, which is relatively low. The employee would pay for any amount of insurance above the specified base amount. The rates are nearly always better than an individual could buy insurance for, especially at older ages.

Employee insurance is generally (though not always) convertible into individual straight-life coverage, without a medical exam, within 30 days. This means that the employee may take the policy with them if they should leave the job. Of course, the low cost will be lost since the conversion will take away the group rate. As a result, many people do not choose to convert their group policy, but rather shop around for a new policy. This is one reason why many experts recommend that an individual buy additional coverage as well as the group plan.

**INSURANCE RIDERS**

Insurance policies offer riders for many things. Riders may be attached to both term and straight life insurance policies. Some riders are common, while others may be rare. Disability waivers and accidental death riders are among the most common. Accidental death riders are often called *double indemnity riders*. Accidental death riders will pay twice or three times the face value if death is due to an accident. Of course, statistically, people seldom die from an accident. Illness is a far greater cause.

Young people tend to think that, because they are young, death is more likely to come from an accident. This is often faulty thinking. The low cost of accidental death policies should be the clue that few people actually die in accidents. Even young people are more likely to die from natural causes rather than accidents.

**GRACE PERIODS & REINSTATEMENT**

Of course, it is always best to pay insurance premiums on time. Many insurance companies prefer that monthly instalments be placed on automatic bank withdrawal to avoid late payments or lapses. However, the majority of insurance policies will cover the insured for 31 days past the due date before they terminate the policy. This 31 days is called a *grace period*. During these 31 days, the insured may still pay the premium without having to show proof of insurability. Generally, claims (less premiums due) will
be honoured. In other words, if the insured dies during this grace period, the insurance company will still pay off to the beneficiaries. Because this is not guaranteed in all policies, it is important to know if the products you market do allow for a grace period. If an insured does lapse his or her policy for nonpayment, it may be possible to reinstate it. We say, "may be" because reinstatement is at the option of the insurance company in most cases. If the insurance policy has a provision to pay premiums through a loan from the cash reserves, the policy is less likely to lapse. If, however, there are no cash reserves or the policy does not provide for premium loans, a policy lapse may occur. Policies usually state a specified period after a lapse in which reinstatement must be requested. If the company does not find adverse medical conditions, they will generally allow reinstatement. The policyowner would have to pay all back premiums (plus interest in some cases). Some policies give as long as five years for reinstatement, but most have a much shorter period. Since back premiums must be paid, generally the insured is reinstating to "save age." That means that the insured prefers to pay premium rates based on a younger age rather than their current age. In cash value policies, the older a policy is the quicker reserves build up, so this may be another reason to reinstate an older policy rather than beginning a new one.

INCONTESTABILITY
Policies generally have a time period stated during which the policy may be rescinded (taken back) for misinformation or omitted information.

If the policyholder did not intentionally mislead the company (but did omit or submit false information), and dies within the contestability period, the company may refuse to pay the claim to the beneficiaries. There is no way, at this point, for the beneficiaries to prove that the insured had not intentionally done so and intentions may not matter anyway.

False or omitted information, even given unintentionally, within the first two years (in most cases) of the policy can cause it to be rescinded.

The actual period for incontestability may vary, but two years is the normal length of time. In some states, the period is set by state statute. After the period of incontestability, even omitted or purposely misleading information, cannot cause the policy to be rescinded.
It is not unusual for an insured to give the wrong date of birth causing the actual age to be incorrect. Generally, this would not be reason to rescind the policy. Rather, insurance companies tend to simply adjust the premium or face value to reflect the correct age.

**SUICIDE**
Most policies state a specific period that must have passed from the time of application or policy issue before suicide would be covered. Usually that period is two years. If suicide occurs before that time period has passed, the premiums are typically returned to the beneficiaries. No benefits are paid.

**POLICY OWNERSHIP**
The person insured is not always the person who owns the policy. This is especially true in annuities where age may be a factor. The person who owns the insurance policy has specific rights:
- To cash the policy in or to borrow against it.
- To name and change beneficiary designations.
- To receive any dividends paid out by the company.
- To give ownership rights to someone else.

If a consumer applies for a policy in their own name, they become the owner. The consumer can also name someone else as the owner even though they apply for the policy using themselves as the insured. The consumers can take out insurance on the life of another (such as a child) and own the policy themselves. The primary reason for not directly owning the policy has to do with taxation. If the consumer owns their own policy, the proceeds are taxable to the estate upon death. If someone else owns the policy, the proceeds are not necessarily taxable. Sometimes ownership is transferred as part of a divorce settlement. Once ownership is transferred, all the rights of ownership are transferred as well.

**FINDING THE RIGHT COMPANY TO REPRESENT**
Not all policies are priced the same. Nor are all companies as strong financially as they could be. An agent or broker needs to research companies before he or she signs on the dotted line. Just as agent or brokers use persuasive powers to sell insurance
policies, insurance companies use techniques to sell insurance agent or brokers (on their products). An agent or broker needs to be aware that he or she is being sold by each company who sends out a brochure on their product line or commission structure. The commission structure should never be the sole reason an agent or broker signs on with a company.

Agent or brokers would always like to have the perfect product for every sales situation so that a sale would be possible at every appointment. Of course, this is not realistic and never will be. Very expensive products do not always signify the best quality and the cheapest is not always the best buy either.

We have all heard the saying: "It's unwise to pay too much, but it's unwise to pay too little, too. When you pay too much, you lose a little money. . . That is all. When you pay too little, you sometimes lose everything because the thing you bought was incapable of doing the thing it was bought to do. The Common Law of business balance prohibits paying a little and getting a lot. . . It can't be done. If you deal with the lowest bidder, it is well to add something for the risk you run, and if you do that, you will have enough to pay for something better."

It is not surprising that insurance companies make more money from straight-life policies than they do for term policies. As a result, straight-life policies pay more commission than do term policies. As agent or brokers, it would be easy to look only at the commission that is earned rather than at what the consumer needs. An ethical agent or broker will always first consider the consumer's needs. In the end, this strategy pays off because the consumer will become a lifelong client if the agent or broker has provided well for them.

**IS IT WISE OR FOOLISH TO CHANGE LIFE INSURANCE POLICIES?**

No policy should be changed without great thought, including one's life insurance policy. However, to keep a policy that is inadequate would be equally foolish. Some consumers do keep bad or inadequate policies simply because they are afraid to change companies. The concern should not necessarily be "How much will I lose?" but rather "What will I gain by changing insurance policies?"

As more and more consumers, including women, learn more about insurances, they become more certain about what they do want and do not want in their protection.
Overall, consumers want more than cash values, they want good death benefits for their beneficiaries. They also want to be sure that the company they have purchased a policy from will be able to deliver the benefits financially when the time comes. In other words, they want a financially stable insurance company.

Unfortunately, the insurance companies often try to prevent change. It is sometimes stated that one is "twisting" a policy if change is recommended. Twisting implies that half-truths or lies were told in order to convince a policyholder that change is wise.

Certainly, it is always necessary to give a complete picture, whether it involves placing a new product in the consumer's home or changing an older policy to a modern one. If an honest, complete explanation is given, twisting has not occurred. Many insurance companies or their representatives respond to a replacement notice by suggesting that twisting has been involved in an attempt to scare the consumer out of changing policies.

As we said, no policy should be replaced without great thought, but when common sense is involved, change may be for the best.

As an agent or broker or a consumer, how do we know when replacement is right? Some guidelines can be followed.

Certainly, replacement might be right if the consumer can qualify for a policy that will lower her premium cost per thousand dollars of protection.

The cost can often be lowered if the current policy contains any of the following:

- More than one policy is being carried on the same life. There are generally administration costs in each policy carried. Those costs may be called many different things, such as policy fees, administration fees and so forth. It does not matter what the insurance company calls them: they cost the insured money. The fee may be as little as $10 per year or as high as $100 per year. When the fees for multiple policies are added together, it may be enough to keep the same amount of death benefits while lowering the cost of the coverage.

- If the policy or policies have cash surrender values in them, that may mean that a newer policy would produce better benefits or similar benefits for less premium dollars.

- If the policy or policies are not using the most recent mortality tables, the consumer is sure to be paying too much for their coverage.
• Policies that do not participate may also be priced higher than those that do.
• Just as there are circumstances that warrant changing policies, there are also circumstances that indicate replacement should not take place. Among those circumstances are if the policyholder has health conditions that may make him or her uninsurable. Certainly, no policy should be dropped until a new one is firmly in place.

Obtaining a new policy would not lower the premium costs. Any of the nonforfeiture provisions in the current policy are important to the consumer’s financial planning. These provisions may include such things as paid-up additions and extended-term provisions.

Never change policies if it would require that the policyholder give false information in order to obtain the new coverage. Policies contain a two-year contestability period. The old policy was purchased from a friend who is important to the policyholder. While that is never a sound basis from which to buy a policy, an agent or broker who tries to replace such a policy is probably headed for emotional turmoil.

If suicide is a possibility. Anytime an agent or broker suspects that a policyholder is unstable emotionally, policy replacements are unwise. Most policies will not pay off if suicide has occurred within two years of the policy issue date.

The purchase of a life insurance policy is a very personal matter. Consumers can have vastly different views regarding the need for such coverage. A life insurance program should always be designed to fit the individual situation. One’s needs will change from year to year and need to reflect these changes. Primarily, life insurance is used to financially protect others from the death of the insured. Nothing can probably protect the beneficiaries from the emotions they will experience when the breadwinner dies, but having financial security will enable them to heal without also having to battle financial worries.

LIFE INSURANCE AS AN INVESTMENT
Not everyone views life insurance as an investment vehicle, but more and more people are using life products in this manner. The standard life insurance products are designed to protect others financially from the death of the insured. As insurance
companies have lowered their cost for death protection, however, they have also greatly improved the earning abilities of the cash value products. This has brought about many changes in how consumers invest.

HEALTH INSURANCE
Thousands of people gamble all they own every day in Canada. No, they are not in the casinos, they simply have no medical insurance. When no medical insurance is in place, one's savings, earnings and existing assets could be wiped out with one major illness or injury. If the illness or injury is prolonged, not only what has been accumulated to date is at risk, but also everything that may be accumulated in the future.

Although most people are involved in some sort of group health insurance plan, many Canadians are not. These citizens must shop for an individual policy of their own. In addition, many people find that their group plans are not sufficient, so they may also end up shopping for additional health insurance plans.

Even those who are lucky enough to be covered by a group health plan face the danger of losing their benefits.

There are many reasons why this might happen, including:
- The loss of one’s job.
- Leaving one’s job to go into business for themselves.
- Taking early retirement (before Government benefits (CPP) begin at age 60).
- Working for a small company that finds it necessary to cancel their health care benefits (usually for financial reasons).
- Getting a divorce or legal separation (when the health care benefits are through the employment of the spouse).
- Passing the age of a dependent on a parent's policy (often age 18 or 19 if not in school full time).

Few of us doubt the need for good solid health insurance. Still more difficult may simply understand the policy we have. Compared to life insurance contracts, health contracts are very complicated. After all, with a life insurance policy, one is either dead or alive. Of course, there are other factors involved, but the basic concept is relatively simple.
Health insurance, on the other hand, involves many more terms, limitations and co-payments.

Health contracts have become much less confusing for the public. Even so, many consumers confess that they have little understanding of their own policies. Agent or brokers who deal in the health field say that much of their time is spent answering questions regarding their client's claims.

There is the conception among consumers that "the big print giveth and the little print taketh away."

**In a health insurance policy, the aim is really to cover three basic occurrences:**

1. **Major illness or injury**
   This is often referred to as catastrophic illness and injury. In other words, it is much easier to pay for the small problems ourselves, but the large or catastrophic hospitalizations would be very difficult to fund personally. Therefore, the insurance policy should be sufficient in its scope and benefits to cover very large health care problems.

2. **Disability**
   This generally involves a separate policy if one is to have the type and scope of protection necessary. Just as it is necessary to carry a separate policy for long-term care protection, it is usually necessary to carry a separate policy to cover the loss of income.

3. **Health Care Coverage**
   Perhaps one of the reasons that people feel inadequate when confronted with health care policies has to do with the variety of benefits.

   - **Basic Hospital Expense**
     As the name implies, this type of coverage is for confinement, treatment and care in a hospital. It generally does not cover certain things, such as a private room. It should include routine nursing services, hospital supplies, drugs administered while confined in the hospital, and surgical procedures. Policy terms vary. Depending upon the policy, coverage for various types of surgery may be limited to specific dollar benefits or
“reasonable” charges (often defined in various ways as well, depending upon the policy). There is also likely to be a dollar deductible that must be paid by the policyholder before the insurance company pays anything.

- **Major Medical**
  This is a term that many consumers are familiar with because it is the type of medical coverage most often recommended. A basic hospital expense policy is limited and, by today’s standards, inadequate. A major medical policy is much broader in its scope of benefits, although it is also more expensive to purchase. Major Medical policies tend to offer benefits for catastrophic illness or injury, but often cover minor costs as well. If premium cost is a factor, the consumer can elect to have large deductibles on the policy to bring the cost down. Deductibles as high as $1,000 are not unusual.

As the name implies, major medical policies cover all the major aspects of an illness or injury. That generally includes hospitalization, surgery, and prescription drugs in or out of the hospital, doctor visits to the hospital, office calls and various therapies.

**Shopping for Health Insurance**

For the single woman, shopping for health insurance probably has a different focus than someone shopping for health insurance for an entire family. If the single woman is not responsible for children, she is freer to select benefits that apply only to her personally. Women often are not aware of the limitations involved when the health coverage for themselves and their children are dependent upon their husband's employment. For example, should the man die, benefits for the family, in most cases, would end 30 days later. Although some companies now will allow survival benefits for two years.

For most new widows, searching for health insurance following the death of her husband is not a priority and not a desired task. Despite the emotional turmoil a death brings, it is actually necessary to place obtaining health insurance at the top of the immediate priorities. An insurance agent or broker can be most helpful in this area. If you sell life insurance, you are most likely one of the first people that will be contacted when one of your policyholders die. Keeping a list of agent or brokers who offer health protection will be a valuable service.

If the consumer's family has an individual policy, rather than a group plan through employment, a death of a member will not affect how the other survivors are covered.
The policy will probably automatically cover the surviving members, even if the policy was listed in the name of the deceased. Even though this is the normal course of action, it is still important that the widow contact the insurance company with the news of her husband's death. At the point of purchase, a wife should also make sure that the policy would work this way, in the event that her husband dies. When a member dies, the premiums will go down because the insurance company is covering one less person.

A divorce or legal separation also means that medical benefits discontinue for the wife (if coverage is through the husband's employer). Usually, coverage is still available for the children and may, in fact, be mandated by the divorce courts.

If divorce or a legal separation occurs under a private policy, it is often possible to simply convert to a new policy without having to prove insurability. This will vary from company to company, however.

**LONG-TERM CARE INSURANCE**

More and more people are beginning to realize the need for nursing home insurance. Nursing home insurance is often called *long-term care insurance* or simply *LTC insurance*.

The longer one lives, the greater the chance that they will need long-term care of some type, often that means an admission to the nursing home or some long term care facility. Since more people, especially women, are living longer, the need for nursing homes has never been greater.

In the past, individuals tended to go to nursing homes for specific medical problems, such as strokes or other acute illnesses or diseases. Today, they are just as likely to end up in a nursing home from simple old age. No specific condition causes the confinement, rather, it is a combination of the results of aging. Alzheimer's disease and other mental ailments also play a substantial role in institutionalization.

In the past, children or other family members were expected to care for their elderly. Today, care is most likely to come from strangers. There are many reasons for this. Families have fewer children and the children they do have generally have jobs outside of the home. The female children simply are not home to care for Mom and Dad anymore.
CRITICAL ILLNESS INSURANCE

A Critical Illness Insurance policy can play a major role in providing your clients and prospects with the necessary funds to meet the many necessary medical costs that are associated with having a critical illness. Some of the critical illnesses that can be covered are Heart Attack, Alzheimer’s Disease, ALS, Coma etc.

Why Critical Illness Now?
- We live in a time when the population is aging.
- Rising health care costs are a concern to everybody.
- The level of public health care has been reduced.
- There is an increased waiting time and availability of services.
- There is a major concern with a Two Tiered health care system.

SELECTING PROPERTY & CASUALTY INSURANCE

Whether single or married, it is important to properly protect oneself against financial loss. This certainly includes losses from automobile accidents or home losses due to fire and theft.

Auto Insurance

It is a simple fact that all drivers cannot be trusted to do the "right" thing. Many provinces mandate that drivers carry minimum amounts of liability insurance in order to guarantee compensation if they are at fault for an accident. Even so, it is best to carry personal insurance and not count on the other person to do so.

If a driver causes an accident, or is somehow shown to be at fault, it will not matter how large or small her policy is. Damages will be awarded according to many factors, but not that one. Therefore, a large insurance policy not only assures compensation for those who are wronged, but it also protects the driver from the financial consequences. Some provinces have what is called "no-fault" laws. In such provinces, each driver's own insurance policy reimburses their medical claims and loss of wages, even if the other person was technically at fault. Even if a driver lives in a no-fault province, professionals still recommend that large liability policies be carried, because one can still be sued for pain and suffering in most cases.
Rates vary greatly from company to company. Of course, rates are also based on your personal driving history (the number of tickets you have received and so forth). Although there may be "standard" policies, there is no such thing as a "standard" price. It is always wise to price shop.

As agent or brokers, we are often aware that price is not the only indicator that should be considered. Insurance agent or brokers are usually most aware of which companies do the best job when it comes to claim payments.

Women often state that they dislike shopping for car insurance because they feel that they are "out of their element." There is no basis for such feelings. One need not know the mechanics of a car in order to decide upon an auto policy.

Car insurance is probably one of the most basic types of insurance. If the policyholder causes an accident, she wants her policy to cover the cost of the other person's injuries, damage to his or her car or property, legal costs and any pain-and-suffering damages that might be awarded. The policyholder also wants their own costs covered. This would include injuries or losses suffered by passengers. In addition, she may want theft, towing, auto rental (for a car while hers is being repaired) and loss of earnings because of injuries.

**Liability**

Liability is probably one of the most important aspects in an auto policy. The potential for liability claims is especially great these days. Liability covers the injuries or deaths of other people and damage to their property when the policyholder is deemed responsible for the loss. It protects the policyholder's own assets as well, because if she did not have liability protection, she would have to liquidate her own assets to pay the costs of a judgment.

Liability insurance also covers the cost of investigating the accident and settling the claim. If the case goes to court, the company will provide an lawyer, paying his fees. The policy often pays any reasonable expenses the policyholder might incur in getting to court, including loss of wages. It is important that the policy also cover anyone who drives the policyholder's car with her permission. The policies will not cover any car that was rented out or entered into a race (whether that is a legal or illegal race).
Some provinces set minimum amounts of liability insurance that must be carried, others do not. Anyone with substantial assets should carry an umbrella policy of up to $1 million for liability judgments. These days, $1 million is not excessive in view of past court awards.

No matter how much liability insurance is personally carried, it covers only the “other person.” It is not intended to cover the policyowner’s own personal costs if she is injured. She would need to collect from the other driver’s insurance company (and hope that he or she was adequately insured). Of course, if the other driver is underinsured the policyholder can attempt to collect damages from them personally.

If, however, they have no collectable assets, she may have little ability to collect damages. Since such a situation is clearly not just or fair, this is often an argument for the establishment of no-fault laws (where a driver can, in effect, insure themselves).

**Collision Benefits**

Collision pays for the repair of the policyholder’s car if it is damaged in an accident or other mishap. This is true even if the accident is the policyholder’s fault. If the car is ruined beyond reasonable repair limits, the insurance company will generally give the policyholder its **cash value.** This is sometimes called “totaling the car out.” Taking the cost of the car and deducting for depreciation generally arrives at this figure. The theory is that the policyholder will be able to replace it with a car of like value.

When a loan is taken out to purchase an automobile, the lending institution typically requires that collision insurance be carried. Most people want to insure new cars for collision, because it would be a major loss if the vehicle were destroyed. Many professionals do not recommend carrying collision insurance on old cars. The cost of the insurance often does not warrant it because the vehicle is worth so little.

Collision policies typically have a deductible in the contract. A **deductible** is the amount of the repair bill that would be the policyholder’s responsibility. The actual amount can vary widely. Of course, the larger the deductible, the smaller the premium cost.

**Comprehensive**

Comprehensive insurance covers theft and damage from vandalism, fire, projectiles (that baseball that goes through the windshield), animals, flood, explosions and other perils.
Sometimes it also includes towing costs and other incidental bills. It will not pay for the normal wear-and-tear that a car receives. That includes mechanical breakdowns. Comprehensive does not always have deductibles, but the premium cost will be less if there is. The insurance company will not pay more than a car's value.

Therefore, once again, if the car is old and does not have much value, comprehensive coverage is probably not worthwhile to purchase.

**SETTING INSURANCE RATES**

Not everyone pays the same for auto insurance. Insurance companies set their rates according to statistics that have been collected. Those that fall in groups with higher accident rates pay more for their insurance than those who fall in groups that experience lower incidences of accidents. Those groups are generally referred to as **risk groups**. Of course, personal irresponsibility will push individual rates higher, as well.

**There are several factors when determining the cost of auto insurance:**

**Age**

Single women who are under the age of 25 often pay higher rates. Sometimes the rate can be lowered if she is on a policy with her parents.

**Marital Status**

Once a woman marries, especially if she is under 25, rates are often lower for auto insurance. Statistics show that marriage is a factor in safety. Some companies put widowed and divorced women into higher-risk categories, which does, of course, mean higher insurance rates. Young women do tend to pay lower rates than do young men, single women pay less than single men. With most companies, this can continue up to the age of 65. Overall, statistics show that women have fewer accidents than men.

**Residence**

Since insurance companies are excellent scorekeepers, it will not surprise an agent or broker to learn that statistics are even kept in relation to accidents and location. Because of these statistics, men and women pay lower auto insurance rates when they live in less populated areas. Even within the same city, one postal code area will often pay less than another postal code area. Those who live in rural areas typically pay less
than those who live in cities, people who live in smaller cities are charged lower rates overall than are those who live in larger cities.

Driving Record
Few would argue that this should not play a part in calculating insurance rates. Safe drivers should get better rates than unsafe drivers. How insurance companies use driving records can vary widely from company to company.

Use
The more a car is used, the higher rates often are. This is not surprising since higher use means higher exposure to other drivers and conditions.

Other Drivers
Even if the policyholder is a safe driver, she may have a member of her family that is not. If he or she drives the policyholder’s car, her rates may be higher as a result. Women often see their rates go up when their teenage children begin to drive, for example.

Type of Car
Some types of cars cost more to insure. There can be several reasons for this, including the likelihood of it being stolen. The cost to insure inexpensive, low-priced cars is often less.

RENTER'S INSURANCE
Although it is generally advisable for women to buy their own homes, that is not always possible, at least initially.

Most insurance specialists recommend that a tenant insure their possessions. If the property owner has insurance, it will only be on the structure and not the tenant's possessions. The tenant will also want liability insurance, in case visitors hurt themselves while on the premises. Depending upon the circumstances, the property owner might be responsible for injuries relating to the structure itself, but injuries relating to the actions of the tenant may not be covered by the property owner's policy. For example, if one of the children left their roller skates on the sidewalk, causing a fall, the liability would rest with the tenant rather than the property owner.
A tenant's policy is similar to a homeowner's coverage, but without coverage for the structure itself. It is important to purchase enough insurance to cover at least the cash value of the contents. Many renters prefer to purchase replacement value, so that their belongings could be replaced at today's costs.

**HOMEOWNER'S INSURANCE**

Few women simply walk into home ownership. For most, it is a difficult journey of saving and doing without. It would be most foolish to leave such an acquirement uninsured. Homeowner's insurance insures against the loss of the home. It is important to buy coverage that will replace at least 80 percent of the home's current replacement cost. Realize that the policy will only pay up to the limits imposed within the contract. If the cost of repairs or replacement is less than the limits imposed by the policy, the homeowner will receive only up to the costs incurred, no more. If the cost of repairs or replacement is more than the limits imposed by the policy, the homeowner will be responsible for the balance.

**Replacement cost**

This term means the amount it would cost to have the house repaired or rebuilt, it does not refer to market value. In some situations, replacement cost might actually equal the market value, but this is not always the case. In fact, older homes often require more money to rebuild than the market value would have been. It is important that the insurance agent or broker consider this when insuring an older home whose market value is below replacement costs.

As building costs rise, it is important that a property/casualty agent or broker maintain a relationship with his clients and continue to update their policies. A policy should never fall below 80 percent of the replacement cost.

As agent or brokers, we know that consumers often hesitate to increase the premium amount of their policies (even when it makes sense). However, when the simple concept of replacement value is explained, most consumers prefer to be covered adequately. Placing a higher deductible on the policy might be an option that allows adequate coverage while keeping premiums reasonable. With higher deductibles, the consumer will be responsible for more of the smaller losses, but the major loss (the house itself) will still be covered by insurance.
Some insurance offer an inflation guard. This automatically increases the homeowner's coverage (generally by 1 percent or more) every three months. Of course, the premium rate will be higher, but it is often worthwhile since it guards against inflation. Agent or brokers often prefer adding inflation guards because it takes away some of the trouble of constantly rechecking policies that are already in effect. It is important to understand, however, that inflation guards may not always reflect the actual increases in building costs, allowing the amount insured to drop below the 80 percent mark. Even with an inflation guard, the wise agent or broker will still check back with his or her clients at least every two years and preferably every year.

There are different types of homeowner's policies. The consumer can buy separate coverage for fire, wind, miscellaneous hazards, theft and personal liability, or she can simply buy a policy that covers all of these in one package. Homeowner's insurance comes in three basic types. Each type is progressively more expensive.

Personal property
Even for the homeowner, it is necessary to insure personal property (just as renters do). In basic, broad and comprehensive policies, personal property is typically covered at 50 percent of the coverage carried on the home. In other words, if the home were insured for $100,000, personal property would then be insured for $50,000. It is important to understand, however, that the belongings in the home are not normally insured at full replacement cost. Rather, most policies take the current retail cost and deduct value according to how old the item is. Only a policy that insures at replacement value would actually replace the item at current rates. Not all insurance companies offer replacement value on a structure's contents.

Liability insurance
We live in an age where liability insurance is necessary. Liability insurance protects the policyowner in case he or she is sued for property damage or personal injury. Few policies contain less than $25,000 in liability coverage, and amounts may be written as high as desired. The more financial assets one owns, the higher the liability insurance carried should be (there is more to gain in a lawsuit from someone who has a lot versus someone who has little).
Liability insurance never pays if the property or personal loss was caused by an intentional act, unless the person who did the damage was under the age of thirteen. The loss must be the result of unintentional actions or conditions.

Many provincial laws hold parents to be responsible for the malicious acts of their children. Therefore, if a child burns down a public building, such as a school, the parents may be financially responsible. Insurance policies often state a dollar limit and it is important to know what that dollar limit is.

Liability insurance provides protection for the actions of one’s family and pets, whether on the insured’s property or a neighbour. Without a rider to cover additional members, policies generally only cover people under the age of twenty-one who live in the policyowner’s home, the actions of domestic employees while working for the insured, and the actions of people using the insured’s property for nonbusiness purposes. More recently, policies are also covering injuries done by one family member to another. Not all policies will do so, so again it is important to know what is and is not covered.

The insurance company will handle all negotiations for an out-of-court settlement, defend the insured in court, pay for any bail bonds or interest on judgments, which the insured wants to contest and might reimburse (depending upon the policy) the insured for any loss of income due to court appearances. Claims for bodily injury and property damage will only be paid up to policy limits. The insured is responsible for paying claims that go above her policy limits, so it is very important to purchase adequate liability coverage.

For the insurance agent or broker, it is very important to realize that most business activities are not covered under the standard liability policy. Therefore, if your insurance office is in your home and one of your clients falls on your property, receiving an injury, your homeowner’s policy will not pay. It is possible to have business activities covered, but your policy must specifically do so through a rider.

**Let us look at what a standard liability policy will not cover:**
- Business activities, unless a rider has been purchased that specifically does so.
- Boats larger than a specified size, when off premises.
- Vehicles licensed to operate on public highways, racing cars and aircraft.
Some items will be covered, although they may cause premiums to rise. Included in this would be any additional property purchased that would normally be covered. Your homeowner’s liability would also cover the actions of a building contractor and his workers while working on the insured property. Unattached campers, boats and trailers are covered, as are dune buggies and lawnmowers, as long as they are on the premises.

A common claim on liability policies is dog bites. The liability policy will cover the insured's dog should he or she bite someone. However, if it happens more than once, the insurance company may cancel the policy. Some breeds of dogs will not be accepted at all by insurance companies. The breeds often include German Shepherds, Pit Bulls and Doberman Pinschers, but may also include other large dog breeds. If the policyowner has one of the excluded breeds, either the policy will be totally denied or the policy will state that losses caused by the dog are excluded. In some states, a second bite by the dog may be cause for punitive damages, which is an extra sum that must be paid to the injured party.

Some policyowners chose to pay a little more for their liability insurance and include coverage for medical bills for minor injuries caused to visitors while on the insured's property. The basic protection usually pays a benefit of only $500 per person, but it is possible to purchase higher limits. This protection pays regardless of who was at fault for the injury, but only to non-related people who do not live on the premises.

If one has major assets, most experts recommend that an umbrella policy be purchased. An umbrella policy insures all liability losses above the limits of one’s regular insurance policies. These polices are not terribly expensive and are usually written for amounts up to $1 million.
DEFINITIONS THAT THE AGENT OR BROKER SHOULD BE FAMILIAR WITH

ADMINISTRATRIX
The female form of administrator, it is the person who is appointed by the probate court (rather than named in the will) to take over and manage the estate during the probate proceedings.

ANNUAL RENEWABLE TERM (ART)
A term policy that is renewable each year. The face amount remains the same and the rate per thousand of protection increases each year.

ANNUITIZING OR ANNUITIZATION
The shift in an annuity from accumulation to payout. Payout is usually on a monthly basis, but may be quarterly or yearly as well. Once annuitization has begun, payments are "set" and do not allow additional withdrawals.

ANNUITY
Although marketed by insurance companies, annuities are the opposite of life insurance because they are designed to pay in life rather than at death. An annuity is a periodic fixed payment made to an individual by the insurance company (if annuitized) for life or a specific period. The word "annuity" means a "payment of money." Annuities are considered a long-term investment because surrender penalties by both the insurance company and Canada Revenue and Customs Agency apply.

ANNUITY - ACCUMULATION
Deposits are made on a systematic basis over a period of years. Later, it provides income for retirement. The shift from accumulation to monthly payout is called annuitization or annuitizing.

ANNUITY - FIXED
In this type of annuity, the principal is guaranteed.

IMMEDIATE ANNUITY
A lump sum of money is deposited into an annuity with payments beginning back to the annuitant or annuity owner immediately (thus the name).
ANTENUPTIAL AGREEMENT
Usually called premarital agreements, these are legal agreements regarding premarital assets and their distribution should divorce occur.

ASSET DISTRIBUTION AGREEMENT
Another name for Antenuptial Agreements.

AUTOMATIC PREMIUM LOANS
In cash value life insurance policies, there may be provisions to pay the premium due out of the policy’s cash value, if the policyholder neglects to do so. This provision does so to prevent the policy from lapsing for nonpayment.

BASIC HOSPITAL EXPENSE
As it relates to health insurance, it is a type of coverage, which pays benefits for confinement, treatment and care in a hospital. Also, see Major Medical, Excess Major Medical and Comprehensive Coverage.

BENEFICIARY-DESIGNATED MONEY
An annuity often has this label. Under such a definition, it can be much more difficult to attach the asset if litigation should occur.

BENEFIT PERIOD
The length of time that benefits will be received under the terms of the contract. There may be more than one benefit period in some types of policies.

BUDGET
A written record of bills and income.

CASH-BACK POLICIES
A slang term often attached to Indemnity Policies because they pay in addition to other health care benefits.

CASH-REFUND ANNUITY PAYOUT OPTION
If the annuitant dies before the amount she invested has been paid out by the insurance company, then the remainder of the invested money, plus interest earned, will be paid monthly or lump sum to the named beneficiaries.
CASH VALUE INSURANCE POLICIES: These provide permanent insurance for the duration of a consumer's life in exchange for a specified annual or lump sum premium. Part of the premium goes for the purchase of insurance protection and part of it creates a cash value. Loans may be taken against the cash value.

CERTIFIED FINANCIAL PLANNER (CFP)
A person who has chosen to acquire additional education in financial planning. Many CFPs do not sell insurance products, but rather charge a flat fee or an hourly rate for their services.

COMMUNITY PROPERTY
Property that is equally owned by two parties, typically a married couple. This means that assets acquired during marriage are owned jointly and equally regardless of whose name appears on it.

COMPREHENSIVE COVERAGE
As it applies to health insurance, these types of policies often wrap the benefits of Basic Hospital Expense policies, Major Medical policies and Excess Major Medical policies into one, all-encompassing coverage. Comprehensive policies can be expensive, but the benefits received are extensive.

CONVERTIBLE
As it applies to insurance policies, it means a life policy that may be converted into individual straight life coverage, without a medical exam, within 30 days. It is a definition that is expected to be found in employee insurance contracts.

COST BASIS
Referring to annuities, it was the past ability to pass on all assets at death income tax free to the listed beneficiaries.

COST-OF-LIVING ADJUSTMENT (COLA)
 Usually a rider in a disability contract (policy). It adjusts the monthly benefit payments on an annual basis to reflect the cost-of-living increases that occur. Exactly how increases are given can vary from policy to policy.
CO-TRUSTEES
When two or more individuals or entities (such as a bank) have the joint responsibility of managing a trust.

CURRENT RATE
One of the rates quoted in an annual renewable term (ART) policy. It is the lower of the two rates quoted.

DEBT AGING or DEBT AGING CHART
A way of listing bills in a manner which shows how old the debts are. It allows the individual to establish a responsible payment schedule.

DECREASING TERM INSURANCE
A popular choice for insuring mortgages, this type of policy has premiums that remain the same each year. The amount of coverage decreases yearly (along with the amount owing on the mortgage).

DEFERRED ANNUITY
See Annuity, Deferred.

DISABILITY INSURANCE
Insurance that pays benefits when the insured is disabled and cannot work. The actual definition the policy uses for "disabled" can vary widely from policy to policy.

DISPOSABLE INCOME
Available money that is not needed to live on and could, therefore, be used for investing or other spending.

DIVIDEND
Although it implies earned income, it actually is nothing more than a return of part of the premium that was paid to the insurance company. For this reason, dividends are not generally taxable.

DOUBLE INDEMNITY RIDERS
Another name for accidental death riders. Such riders often pay twice or three times the face value if death is due to an accident that fits the terms of the policy.
DREAD DISEASE POLICIES
This type of health policy has lost its momentum in recent years, but there was a time when they were very popular. Another name for Critical Illness Insurance.

DUPLICATE BENEFITS
When two or more policies pay benefits for the same medical expense. How the claim will actually be paid depends upon the terms of the contracts.

DURABLE POWER OF LAWYER
The word “durable” should be noted in this term. A legal instrument names another person to act on behalf of the grantor. This document is created while the grantor is fully competent and not under any undue stress. It activates only when the grantor becomes incompetent, not before.

ELIMINATION PERIOD
The period that is not covered in an insurance policy.

ENDOWMENT POLICY
A form of whole life policy, the face amount is paid to the policyholder (endowed), if still living on a specified date, or to the beneficiaries if the insured has died.

EVIDENCE OF INSURABILITY
Proving to an insurance company that an applicant is medically insurable. This may be done by a physical examination or simply by filling out a medical questionnaire, depending upon the desires of the insurance company and their underwriters. Sometimes it depends upon the type of policy being applied for which avenue is desired.

EXCESS MAJOR MEDICAL
This type of health care policy picks up where the standard major medical policy stops. It is often coupled with a group health plan that is deemed by the insured to be insufficient.

EXECUTRIX
The female form of executor, it is the person named in the will to take over and manage the estate during probate proceedings.
FACE VALUE
The amount of insurance coverage contained in the policy.

FIDUCIARY DUTIES
A trustee has fiduciary duties, whether they are a trustee for an RRSP or a living trust. Some of the duties are formalized in written contracts, and the law implies others.

FINANCIAL PLANNING
The process of setting future goals and acting in a manner that accomplishes them. Financial planning is never about the products sold. It is the act of mapping out a financial plan.

FIXED ANNUITY
See Annuity, Fixed.

FLEXIBLE PREMIUM ADJUSTABLE LIFE
The true name of Universal Life policies. Universal Life is a generic name generated by insurance companies.

FRAUDULENT CONVEYANCE
A transfer of an asset in an attempt to avoid legal seizure or consequences.

GRACE PERIOD
A period, often 31 days, during which the insured may still pay premiums without having to show proof of insurability. Claims, less premiums due, would still be paid.

GUARANTEED RATE
One of the rates that is generally quoted in an annual renewable term (ART) policy. The insurance company will have the right, after a stated period, to charge this higher rate if they have had adverse mortality experience or if their investment yield worsens.

IMMEDIATE ANNUITY
See Annuity, Immediate.

INDEMNITY POLICIES
Often referred to as Cash-Back policies, it refers to a method of claim payment based upon a "set" amount per day, per injury or per schedule within the policy.
INSURABLE INTEREST
Generally refers to the issuance of life insurance policies. Many insurance companies require that there be a reasonable insurable interest between the person being insured and the person paying for the premiums before they will issue the policy.

INTERMEDIATE GOALS
Generally a financial goal that takes at least three years to complete.

INTER VIVOS TRUST
The legal name for a living trust (private will).

INTESTATE
When a person dies without a valid will being found. When this happens, the state of domicile applies their own laws to distribute the property of the deceased.

JOINT-AND-SURVIVOR ANNUITY PAYOUT OPTION
The insurance company will make monthly payments for as long as either of two named people survive. Most often utilized by married couples, both person's ages are considered by the insurance company when determining the exact size of the monthly payments.

JOINT TENANTS
When two or more people share ownership, the surviving joint tenants automatically inherit the deceased person's share.

JOINT WILL
One legal document leaving everything to each other or to specified, agreed upon, beneficiaries.

LEGAL GUARDIAN
The courts usually decide this. Although parents may be named as such, they may still be required to furnish reports regarding financial expenditures on behalf of their children.

LEVEL TERM INSURANCE
The coverage remains the same or "level" for a specified period. The term "level" applies equally to the death benefit and to the premium payment.
LIFE GOALS
A goal that lasts a lifetime. Life goals always include retirement planning. It may also include actions that affect how one is remembered after they have died, such as gifts to colleges.

LIFE-AND-INSTALLMENTS-CERTAIN ANNUITY PAYOUT OPTION
There are two elements to this type of annuity payout: a "certain" period of time (usually ten to twenty years) or for her lifetime. If she dies before the "certain" period, her stated beneficiaries would finish out the payments, but would not receive anything beyond the stated period.

LIFE INSURANCE
Insures against premature death. In the process, life insurance may also give other benefits, but the protection of dependents is the first goal.

LIVING TRUST
Also called a "Private Will," it is a legal entity to which an individual (called testator or grantor) transfers assets, in part or whole, during their lifetime. Despite the term Private Will it does not take away the need to also have a will.

LONG-TERM GOALS
A financial goal that requires at least five years to complete. Ten years is more common.

MAJOR ILLNESS OR INJURY
Often referred to as catastrophic illness and injury. It is the type that consumes great financial resources because the condition is severe.

MAJOR MEDICAL
As it applies to health insurance, this is a term that consumers are most familiar with. This type of health insurance contains more benefits than a basic hospital expense policy because it tends to offer benefits for catastrophic illness or injury and usually covers minor doctor costs as well.
MARRIAGE AGREEMENT
A type of antenuptial agreement that is more informal than legal in nature. It often includes such things as the assignment of household chores and family responsibilities.

MORAL OBLIGATIONS
Although no legal obligation may exist in a given situation, a person often has a moral obligation to act responsibly towards another person.

MORTGAGE INSURANCE
While any type of insurance can be used, decreasing term insurance is generally the desired policy. The premiums usually remain the same, but the amount of insurance coverage decreases along with the balance on the mortgage.

MUTUAL WILL
Separate legal documents executed by two people as their respective wills. The wills are similar or reciprocal.

NATURAL GUARDIAN
A parent's natural position with their children. Legally, being a "natural" guardian does not guarantee the right to be the "legal" guardian.

NET WORTH
The amount of money one either owes or has. Net worth tells an individual how much is coming in and how much is going out. The equation is generally written in this manner: Assets Minus Liabilities Equals Net Worth.

NON-PROBATE ASSET
An asset that lists a beneficiary that allows it to bypass probate proceedings (although the asset may still need to be listed in the probate papers).

ORAL WILLS
Although generally valid only in military combat, a few states do recognize them under specific conditions. As the name implies, a will is given orally, spoken.
ORDINARY LIFE INSURANCE
Another name for ordinary or whole-life insurance, it has two things combined into one policy: life insurance coverage and cash accumulation. Each premium paid funds both aspects. Ordinary Life Insurance is actually an endowment policy.

OWN OCCUPATION
A definition used in disability policies, it means the occupation that one is qualified for by virtue of experience or education.

PERMANENT INSURANCE
Another name often applied to Cash Value Insurance policies. Permanent Insurance is not actually a correct term because the insurance portion or net amount at risk is really decreasing due to a rising cash value in the policy.

PREMIUM
The amount of money that must be paid for the insurance policy in order to keep it in force.

PRIMARY INSURER
The insurance company that is deemed the first company responsible for payment of claims.

PRIVACY
The ability to keep personal information from reaching others. Annuities are private legal contracts.

PRIVATE WILL
Another name often given to Living Trusts. The legal name is Inter Vivos Trust. It is established while the individual (grantor) is living and keeps asset distribution private (thus the name).

REAL INTEREST RATE
The current rate of interest being paid minus the rate of inflation (which robs the accumulation value).
RENEWABLE
This means that every time the policy term runs out, the policy can be renewed without having to pass another physical exam or experience underwriting.

RESIDUAL COVERAGE
In disability policies, this type of coverage does not penalize the policyholder for going back to work on a part-time basis. The policy pays on a prorated basis.

RETURN-OF-CASH-VALUE BENEFIT
A term insurance policy that increases over the years at about the same rate that cash value builds up within the policy. It may also be called Return-Of-Premium benefit.

RETURN-OF-PREMIUM BENEFIT
A term insurance policy that increases over the years at about the same rate that cash value builds up within the policy. It may also be called Return-Of-Cash-Value benefit.

REVOCABLE
In reference to trusts, it means that the creator has the right to revoke the legal document, in part or whole, during his or her lifetime. An irrevocable trust eliminates this ability.

SECURE DOLLARS
Dollars invested at minimal risk. This would include annuities, Single Premium Whole Life products and money market funds.

SEPARATE PROPERTY
Another name for personal property. When divorce occurs, separate property is not divided.

SEPARATION AGREEMENT
A legal contract between two married people that settles financial matters, such as property distribution, alimony, custody of children and child support payments.

SHORT-TERM GOALS
Generally considered a one-year financial goal.
SINGLE-LIFE ANNUITY PAYOUT OPTION
If annuitized, it states that for as long as the annuitant lives, she will receive a monthly
cheque from the insurance company for a "set" sum of money. The amount received
each month will never change once this annuitization option has been selected. No left
over funds will go to any beneficiary (should she die), but if the annuitant lives long
enough, she will collect more that she paid in. This option pays the maximum amount
per month in comparison to other payout options offered.

SINGLE PREMIUM POLICY
One in which the total premium is made in a lump sum, a one-time payment.

STRAIGHT LIFE INSURANCE
Another name for ordinary or whole-life insurance, it has two things combined into one
policy: life insurance coverage and cash accumulation. Each premium paid funds both
aspects.

STRAIGHT REPORTABLE TAXABLE INCOME
Generally salaries or commissions that are earned from employers. It would include
such things as income from dividends, interest earnings, capital gains, distributions from
partnerships and withdrawals from retirement accounts.

SURVIVE
As it relates to separation agreements, when a separation agreement survives, it
maintains a separate existence versus one that merges and becomes part of the divorce
decree. Since women are usually the one who receives payments from the divorced
spouse, it is usually best for them to have the document survive (rather than merge).

TAX-DEFERRED
Although taxes will be due on these investments when funds are withdrawn, as long as
they remain in the investment vehicle, the interest earnings are not taxed. The taxes are
"deferred."

TAX-DEFERRED INCOME
Income that will eventually be taxed upon withdrawal, but remains untaxed while held in
the investment vehicle. Annuities produce tax-deferred income.
**TAX-SHELTERED INCOME**
Often generated from special provisions in the accounting procedures of the investment.

**TEMPORARY INSURANCE**
This is another name often applied to term insurance. Also, see Term Insurance.

**TENANTS BY THE ENTIRETY**
This joint property ownership is limited to married couples. Tenants By The Entirety enjoys special protection against joint property being seized by creditors of one of the joint tenants.

**TENANTS-IN-COMMON**
When two or more people share ownership in property, the persons involved are able to leave their share to beneficiaries through a will or other type of legal document.

**TERM INSURANCE**
Often referred to as temporary insurance, it protects the insured for a specific period and does not gain cash value, although dividends may accrue.

**TESTAMENTARY TRUST**
Different from an Inter Vivos Trust in that a testamentary trust makes provisions to establish a trust after the will has gone through probate.

**TWISTING**
A term applied to the selling process when another is replacing one policy. When an agent or broker "twists", he or she has misrepresented the facts of either the existing policy or the replacement policy (for the benefit of the agent or broker).

**UNBUNDLING**
As applied to life insurance policies, it means that the policy is broken down into three parts: the protection element, the savings element and the expense element.

**WAITING PERIOD**
The period that is not covered in an insurance policy.